Austria ..Sch 18	Indonesia ..Rp 2500	Portugal ..Esc 80
Bahrain ..Din 0.650	Italy ..L 1200	S. Arabia ..Rs 6.00
Belgium ..BFr 38	Japan ..Y550	Singapore ..S$ 4.10
Canada ..C$2.00	Jordan ..Fils 500	Spain ..Pta 100
Cyprus ..C£0.60	Kuwait ..Fils 500	Sri Lanka ..Rup 30
Denmark ..Dkr 7.25	Lebanon ..L£ 6.00	Sweden ..Skr 6.50
Egypt ..E£1.00	Luxembourg ..LFr 38	Switzerland ..SFr 2.00
Finland ..Fmk 6.50	Malaysia ..Rs 4 25	Taiwan ..NT $65
France ..FFr 6.00	Mexico ..Pes. 300	Tunisia ..Din 0.600
Germany ..DM 2.20	Morocco ..Dh 6.00	Turkey ..L 180
Greece ..Dr 80	Netherlands ..Fl 2.50	U.A.E. ..Dh 6.50
Hong Kong ..HK$ 12	Norway ..Nkr 6.00	U.S.A. ..$1.60
India ..Rup. 15	Philippines ..Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,506 — Friday December 21 1984 — D 8523 B

India: 'what can we do but vote for her son?' Page 14

NEWS SUMMARY

GENERAL

Brussels accord on fishing quotas

EEC fisheries ministers concluded a comprehensive agreement on the division of quotas and total allowable catches (TACs) among member states.

The accord means that for the first time in the Common Fisheries Policy's history TACs and quotas have been fixed before the opening of the new fishing year.

Mr Nigel Atkins, leader of the British lobby, said: "It now seems we have at last got a workable system in place." Page 34

Israeli crisis

Israel's national unity Government faces another crisis over the scale and timing of a withdrawal of forces from Lebanon. Page 4

Defence job row

British MPs reacted angrily to the appointment of Peter Levene, chairman of United Scientific Holdings, a leading defence contractor, to oversee the Government's £8bn ($9.5bn) arms procurement programme with a £95,000 salary. Background, Page 7

Censure move

Dutch Economics Minister Gijs van Aardenne survived a censure motion after admitting he misled parliament in 1980 over financial agreements with the failed Rijn-Schelde-Verolme (RSV) ship building group.

Chadians flee

More than 30,000 Chadians fleeing factional fighting in their country have settled in the neighbouring Central African Republic in the past few months, according to the International Red Cross.

Peking visit

Soviet first deputy premier, Ivan Arkhipov left Moscow for talks in Peking. He is the most senior Soviet official to visit China in 15 years.

Gadaffi claim

Libyan leader, Colonel Gadaffi caused a storm during his visit to Spain by claiming that two Spanish enclaves Ceuta and Melilla, on the Moroccan coast are Arab.

Genscher plea

West Germany's Foreign Minister, Hans-Dietrich Genscher appealed to nearly 70 East Germans, including 40 on a hunger strike, to leave the West German embassy in Prague. Page 3

Drug chief jailed

A Jordanian military court sentenced the country's anti-narcotics chief to 15 years jail for smuggling drugs and arms through Jordan.

New Le Monde crisis

Le Monde, France's leading daily newspaper, entered a new crisis when its journalists failed to agree on the appointment of a new director and editor-in-chief. Page 2

Editor in court

A Turkish martial law prosecutor opened proceedings against the editor-in-chief of the conservative newspaper Tercuman, who is accused of breaching the 1982 constitution.

Christmas bugs

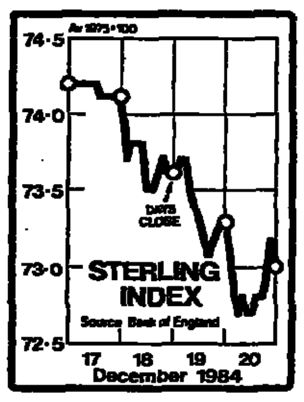
An average Christmas tree has about 30,000 insects, including lice, midges, fleas, parasite wasps, spiders and beetles but most die after a few days, says a Norwegian scientist.

BUSINESS

Citroën to plunge deeper into red

CITROËN, the troubled French car manufacturing company owned by the private Peugeot group, expects to show higher losses this year than the FFr 1bn ($112m) deficit last year. Page 19

WALL STREET: The Dow Jones industrial average closed down 4.75 at 1,203.29. Section III



STERLING continued to lose ground in London, falling to an all-time low of $1.1655 ($1.1745). It also dropped to DM 3.63 (DM 3.64) SwFr 2.9925 (SwFr 3.0025), FFr 11.0575 (FFr 11.1450) and Y288.5 (Y291.0). Its exchange rate index fell to 73.0 from 73.3. In New York it was $1.1695. Page 35

DOLLAR was firm in London, rising to DM 3.124 (DM 3.099), SwFr 2.571 (SwFr 2.558), FFr 9.5575 (FFr 9.485) and Y248.05 (Y247.7). On Bank of England figures, its exchange index rose to 143.4 from 143.2. In New York it was DM 3.126, FFr 9.570, SwFr 2.5725 and Y248.0. Page 35

U.S. MONEY SUPPLY: M1 rose $3.8bn in the week ending December 10.

GOLD was down $2.50 an ounce on the London bullion market to $307.25. It was also lower in Zurich at $307.75. In New York the January Comex settlement was $307.60. Page 34

LONDON equities and gilts eased, with the market unsettled by sterling's slide. The FT Ordinary index fell 12.3 to 930.3, having been at record high levels for the previous four trading sessions. Section III

TOKYO shares reached an all-time high in early trading but fell back later amid profit taking. The Nikkei-Dow market average closed 44.28 lower at 11,514.15. Section III

NOVA PARK HOTEL group's appeal against the opening of bankruptcy proceedings has been approved by a Zurich court. The Swiss company said a "financially strong group of new investors" had undertaken a restructuring programme.

GENERAL ORIENTAL Investments, a Cayman Islands company run by Sir James Goldsmith, has reported a profit of $137.8m for the six months to September 30 compared with $400,000 for the same period a year earlier.

BRANIFF, the reborn but still financially struggling U.S. airline, showed a $22.25m third-quarter operating loss compared with a $26.4m loss in the second quarter. Page 17

THYSSEN INDUSTRIE, engineering arm of West Germany's biggest steel producer, saw pre-tax profits plunge from DM 126.7m to DM 18.4m in the year to September 30. Page 19

NATIONAL SEMICONDUCTOR, U.S. electronic components manufacturer, reported a 35.6 per cent fall in second-quarter earnings to $8.5m against $13.2m in the same period last year. Page 17

We apologise for any typographical errors in this edition resulting from action by the National Graphical Association and Sogat members in the FT reading room in London.

Europe trails U.S. and Japan in economic recovery

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN PARIS

THE WORLD economy is set for a continued period of moderate expansion, but Europe shows little sign of shaking free from its economic lethargy, the Paris-based Organisation for Economic Co-operation and Development (OECD) says.

The December report, published yesterday, says that the performance of its 24 member countries as a whole this year has been the best for some years. The growth of output (4¾ per cent) and of world trade (9 per cent), were the best since 1976, while average inflation, at 5 per cent, was the lowest for eight years.

The increase in the total number of jobs by 5m was the best since 1979.

The improvements were overwhelmingly evident in the U.S. and Japan, with Europe remaining in the background.

By the middle of 1986 the OECD expects the difference to have narrowed because of a slowing in the U.S. economy and to some extent in Japan, rather than improvement in Europe.

In the first half of 1986 the OECD expects another 1.25m jobs to be lost in Europe, bringing the total out of work to 20.3m, or 11.8 per cent of the labour force.

By the end of that period the unemployment rate in Europe will have deteriorated to the same level as that in the UK, while average inflation at 6¼ per cent will still be running twice as fast as in the U.S. and Japan.

In Paris yesterday Mr David Henderson, the OECD's chief economist, said that anxiety about Europe's economic performance did not just relate to this year and next but to the longer term.

"In particular, there is the depressing fact that even by mid-1986, if our projections are near the mark, employment in Europe's OECD countries will be scarcely higher than it was in 1973, while unemployment rates will be higher than at any time since the 1930s," he said.

OECD estimates show that Europe's international competitiveness rose by about 25 per cent between 1980 and 1983. Exports from Europe grew by less than 2 per cent a year during the period, however, which was no faster than the export markets opened to it.

The response of the supply side of European economies to growth in money demand from 1982 to 1984 was only half as good as in the U.S. and a quarter of the response recorded in Japan.

The OECD believes that these problems of supply – in labour markets and the responsiveness of industry – continue to limit the possibilities for any reflation of demand in Europe.

Mr Henderson said that in the last two years total demand in money terms grew by almost the same amount in Europe and in the U.S. (about 20 per cent).

Real output grew three times as much in the U.S. as in Europe, where inflation was running twice as fast as in the U.S.

Mr Henderson said that the figures suggested that a significant injection of money demand in Europe might not be effective and would, in any case, be inadvisable except in countries which had secured control of their budget deficits and where expectations about future inflation were subdued.

The OECD is expecting steady growth in the U.S. of 3 per cent in 1985 and in the first half of 1986.

Continued on Page 16

Slower growth forecast, Page 2; View for Britain, Page 6; UK recovery threatened, Page 16

Japanese telecom group set for sell-off

By Jurek Martin in Tokyo

THE JAPANESE Diet (parliament) yesterday finally passed the three Bills which will from April 1 next year begin the transformation of Nippon Telegraph and Telephone (NTT) from a state communications monopoly into a private company.

The privatisation of NTT, however, which in its 1983 fiscal year earned profits of Y384bn ($1.6bn) on revenues of Y4,552bn, and the concomitant liberalisation of the telecommunications market in Japan, is destined for more cautious progression than has been the case in the U.S. after the break-up of American Telephone & Telegraph (AT&T), and Britain, after the public sale of British Telecom.

The legislation passed yesterday is, essentially, of the enabling variety. It authorises the creation of NTT next April as a private company – almost certainly with its current president, Dr Hissashi Shinto, the architect of its transformation, remaining at the helm.

It does not stipulate in detail the sale of NTT stock to the public. In practice, the Government is likely to remain the majority shareholder for the foreseeable future. Normally a new company has to wait for five years before being eligible for listing on the Tokyo Stock Exchange, although it is likely that, in NTT's case, rules will be waived to permit an initial share issue as early as 1986. Foreigners, however, will not be permitted to invest directly.

Exactly how and when NTT goes public, and to what purpose the proceeds are put, are still subjects of debate inside the Government. The Ministry of Finance wishes to earmark funds to reduce the national debt, while the Ministry of Posts and Telecommunications prefers ploughing back into more research.

The opening up of the domestic telecommunications market to foreign competition and capital is also still subject to much uncertainty. The legislation allows foreign firms to enter the "value added network" (VAN) of computer communications systems, but not the provision of basic transmission services. Even VAN systems may be two years away from fruition.

Fundamental issues of great interest to potential NTT suppliers concerning the new company's procurement policies – on satellites, for example – remain to be resolved, however. The U.S. Government, in particular, is already on record as doubting that in practice foreign companies will get a fair chance to compete in the Japanese telecommunications market.

Opec fails to agree on oil price regime

BY RICHARD JOHNS IN GENEVA

THE ORGANISATION of Petroleum Exporting Countries (Opec) yesterday failed to agree measures to shore up the existing oil price structure and adjourned their conference for a week to allow consultation between member governments.

Plans for a new attempt to strengthen prices were being worked on last night by a committee made up of representatives of Indonesia, Saudi Arabia, the United Arab Emirates and Kuwait. Dr Subroto, president of Opec and Indonesia's Oil Minister, said the meeting had been adjourned so that the oil producers could develop "machinery for enforcing and policing" of members' levels of output.

The decision to adjourn the meeting was partly an acknowledgement of member states' inability to grapple with the other issue which is central to Opec's effort to defend the current $29 a barrel reference price – the wide disparity in prices for heavy and light crude which the market believes must be closed if there is to be a chance of restoring price stability.

Talks on the critical issue of revising Opec's system of price differentials and adjusting it to current market conditions was deferred at least until the evening session amid renewed indications that the organisation would have difficulty in reaching any agreement on the issue, let alone one calculated to stabilise the market.

It is understood that the focus of the proposals being worked on last night by the special committee is a means of restoring production disciplines.

Opec's production ceiling of 16m barrels a day, decided at the last conference in late October, has been breached by 500,000 b/d. Most of the excess production has come from Nigeria and the UAE.

The depth of concern among many delegations at the failure to observe the 16m b/d production ceiling was highlighted by a proposal from the UAE to stage a special summit at which governments would make renewed pledges to implement output quotas.

In a closed session yesterday the UAE proposal is believed to have been received sympathetically by Algeria, Indonesia, Iran and Venezuela, but to have been opposed by Saudi Arabia, Kuwait, and Iraq.

In practice, the continuing war between Iran and Iraq, now entering its fifth year, would probably rule out such a meeting. One was held in Algiers in 1975, but the second, to mark Opec's 20th anniversary, which was scheduled for Octo-

Continued on Page 16

Lawson 'did not know of new JMB deposit'

BY OUR FINANCIAL STAFF

A SENIOR British minister admitted yesterday for the first time that the Government had not been informed by the Bank of England about its deposit of £100m (£117m) with Johnson Matthey Bankers (JMB) to ease its financial problems.

The Government also announced yesterday the appointment of Mr Christopher "Kit" McMahon to a further five-year term as Deputy Governor of the Bank of England. Mr McMahon's future in the job had been in doubt because of criticism about the British central bank's role in the rescue of JMB at the end of September.

Mr John Biffen, leader of the House of Commons, told MPs yesterday that Mr Nigel Lawson, Chancellor of the Exchequer, did not know about the deposit when he made his statement about JMB in parliament on Monday. "There was no reason why he should have done," said Mr Biffen. He was deputising for Mrs Margaret Thatcher, Prime Minister, who is on a tour of China, Hong Kong and the U.S.

Treasury ministers and officials are known, however, to have been furious when they found out about the deposit and this has worsened existing tensions between Whitehall and the Bank. The deposit was made some weeks ago, to provide JMB with liquidity for its day-to-day operations, but became known only earlier this week.

JBM had to be rescued after it ran up huge losses, mainly on shipping loans. It was nationalised by the Bank of England, and is now underpinned by £150m of guarantees by London banks, to which the Bank itself contributed £75m. The exact extent of its losses is still being calculated, but they are believed to be around £250m ($300m).

Mr Lawson on Monday announced a full review of Britain's bank supervisory system. He said that the JMB affair had provided *"prima facie* evidence of weaknesses" in the system.

The announcement of a new term for Mr McMahon ended a week of speculation that Treasury opposition had been building up to his reappointment. A bitter clash has developed between the Treasury and the Bank over the circumstances of the collapse and subsequent rescue of JMB, and there were suggestions that Mr McMahon might be made a scapegoat.

Continued on Page 16

Brussels approves subsidies for steel

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission has approved the final round of state subsidies to be paid to EEC steel producers in 1984, but both Finsider, the Italian state group, and West Germany's ailing Arbed Saarstahl were excluded from the list.

Subsidies of £266m ($311m) for the British Steel Corporation and FFr 5.3bn ($560m) for France's Usinor and Sacilor were approved by the Commission at its weekly meeting on Wednesday.

The subsidies include structural aids, which must end by December 1985, and the last operating aids payable before the deadline for such assistance at the end of this year. They also include final payments to several West German and Belgian companies which have now finished their programmes of restructuring.

The exclusion of Finsider could be a serious blow for the Italian producer, which has long been accused by the Commission of failing to press ahead fast enough with the necessary production cuts to qualify for continued subsidy. The Italian Government is reported to have requested permission to pay more than L5,000bn ($2.62bn).

The West German Government had requested approval for payment of some DM 80m ($26m) to Arbed Saarstahl. Approval of the payment could still be given before the end of the year.

The largest payment approved for West Germany is DM 813.5m for Klöckner Werke, which has been involved in a long-running dispute with the Commission and still faces a demand for outstanding fines for exceeding its production quota.

Cockerill Sambre of Belgium also received clearance for a final pay-

Continued on Page 16

Banque Bruxelles Lambert buys preliminary stake in UK broker

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

BANQUE Bruxelles Lambert, the second largest Belgian bank, is to acquire a 29.9 per cent stake in Williams de Broe Hill Chaplin, the London stockbroker.

The realignment in Britain's financial services markets gained further impetus as Smith Brothers, one of the stock market's leading jobbers or market makers in securities, announced that it planned to acquire full control of Scott Goff Layton, a stockbroker. The deal comes just a year after N. M. Rothschild, the merchant bank, acquired a 29.9 per cent stake in Smith.

Banque Bruxelles Lambert will pay an undisclosed sum for its 29.9 per cent stake in Williams de Broe Hill Chaplin and, once Stock Exchange rules allow, intends to raise its stake to 66⅔ per cent.

Williams de Broe is estimated to rank in 20th position in terms of market share of commissions earned on transactions in the UK securities markets. Scott Goff Layton is ranked a little lower in the league table, although it is noted for its research capabilities.

Mr Peter Stanley, a partner in Williams de Broe, said yesterday, that there was "tremendous synergy" in the link-up.

"The international network of Banque Bruxelles represents a unique relationship which will enable us to consolidate our position as a major participant in institutional equity and gilts business in London while further extending our European coverage."

Banque Bruxelles is a manager in the Eurobond market, while Williams de Broe acts as an inter-dealer broker in the bond market. The shareholders of Banque Bruxelles include Group Bruxelles Lambert.

Groupe Bruxelles, with a range of assets in the financial services sector, recently acquired a 29.9 per cent stake in Henry Ansbacher Holdings, the UK merchant bank.

Mr Tony Lewis, chairman of Smith Brothers, said yesterday that his company could "not stand on its own as a market maker in the new financial markets which are emerging. It is much more logical for us to link with a broker so that we can have an outlet to the agency areas."

Initially Smith Brothers will acquire 5 per cent of Scott Goff increasing its stake to 100 per cent once Stock Exchange rules allow market makers to acquire brokers. The consideration for the acquisition of 100 per cent will be made through the issue of up to 3.25m convertible preferred ordinary shares in Smith, convertible into 3.25m ordinary shares of the jobber over a period of five years.

Scott Goff partners may elect to receive £1.95m ($2.26m) in cash payable over the same period, as an alternative to the issue of up to 1.625n convertible shares.

On the basis of Smith Brothers' share price yesterday of 102p, Scott Goff is valued at £3.3m.

● Mr David Hopkinson, managing director of M & G the UK unit trust group, has written to Mr Alex Fletcher, the minister for consumer affairs, urging him to reconsider plans for the establishment of a self regulatory body responsible for policing the unit trust and life insurance industry.

CONTENTS

EUROPEAN NEWS

Le Monde journalists fail to agree on editor

By David Housego in Paris

LE MONDE, France's leading daily newspaper, was yesterday plunged into a fresh crisis after continuing disagreements among journalists left the post of director and editor-in-Chief vacant.

The journalists refused at a special meeting called to choose a new editor to maintain M Andre Laureas in the post. M Laurens, who resigned a fortnight ago after the editorial staff rejected his rationalisation plans, had indicated he was prepared to stay on if there was continuing disagreement on an alternative candidate.

Bth M Andre Fontaine, the paper's associate editor and M Michel Tiau, its East-West specialist—the only two candidates—withdrew their names before Wednesday's vote.

Mr Fontaine, who was the most likely successor, backed down after M Philippe Ramond, a former television executive, who he had wanted to appoint as chief administrator declined the job.

M Ramond believed that Le Monde's system of management by direct democracy made it impossible to carry through reforms.

The journalists then voted by a smal majority against maintaining M Laurens, who has been editor for two and a-half years, in the post. By an overwhelming majority, they also turned down the key element of his plan for eliminating losses—the sale of the paper's headquarters in the Rue desItaliens.

Under Le Monde's management structure, a candidate for the editorship needs the votes of 60 per cent of the editorial staff before his name can go forward for endorsement to a general assembly of the paper.

The journalists implicitly recognised that the existing management structure was bringing the paper to its knees by agreeing that reforms should be studied. But they insisted on retaining a blocking minority vote on decisions.

Le Monde, which has seen its circulation fall by 15 per cent in recent years to 360,000, has run up cumulative losses of FFr 80m (£8.43m).

A committee is now being set up to run paper temporarily and to see how it can overcome its financial problems.

RETIRING COMMISSIONER SAYS EEC MUST DECIDE PRIORITIES

Davignon stresses research need

BY QUENTIN PEEL IN BRUSSELS

TELECOMMUNICATIONS and research will be two major areas for development of the role of the European Community, Viscount Etienne Davignon, the retiring Commissioner for Industry, forecast yesterday.

A key decision will be on a joint standard for direct satellite links, which could be reached by the Ten early in the New Year, he said. Other telecommunications proposals to be made in the coming months will include general standardisation of equipment, and the implementation of infrastructure projects of common interest.

Viscount Davignon, who was giving a farewell press conference before he leaves the Commission, also stressed the importance of the Ecu 1.2bn (£720m) research programme approved by EEC Ministers on Wednesday, on top of the existing Esprit programme concerning information technology, and the Community's joint research centres.

He said the new package, including fields such as biotechnology, radiation protection and nuclear waste disposal, and the stimulation of exchanges among research workers, "make it possible for the Community to have ajoint research policy in new areas."

Although the programme adds up to considerably less than the original proposals by the Commission, some two-thirds of the spending is scheduled for the first two years of five, with a provision for the Council of Ministers to review progress and allocate more money once increased finance becomes available.

M Davignon said that progress in those areas, as well as steel and energy—his other two key responsibilities — "runs counter to the moroseness that prevails when people talk about Europe."

However, he warned that the greatest problem facing the Community was to decide on its priorities in the coming years—and provide adequate finance for their accomplishment.

The 1.4 per cent VAT ceiling agreed by member states for their contributions from 1986 was still "absurd," he said, because that amount of money was already being spent on policies.

"This is not something which allows room for manoeuvre," he said. "The major danger is the amount of resources to be devoted to the Community."

Davignon . . . importance of research an dtelecommunications stressed

Sweden to maintain monetary restrictions

By Kevin Done

SWEDISH monetary policy must continue to be restrictive during 1985, the Riksbank, the Swedish central bank warned yesterday.

"The level of liquidity in the Swedish economy is high, and price and cost increases are exceeding those abroad, the bank said.

"Moreover the current account of the balance of payments is no longer improving, but is on the contrary expected to weaken once more," it added.

Mr Bengt Dennis, governor of the Riksbank, said that lending by the banks and by finance companies in Swedish kronor would not be allowed to rise faster next year.

The guideline laid down for the banks recommends that outstanding lending in Swedish currency should not be increased by more than 4 per cent during next year. Finance companies will face slightly lower ceiling of 4 per cent on the growth of lending next year.

The borrowing needs of the Swedish export credit corporation will be met by the institutional capital markets.

Sweden's industry federation is rather more optimistic about the development of the economy next year and his forecast a surplus on the current account of the balance of payments next year of SKr 5bn ($577m).

It expects the current account to be in balance this year compared with a deficit of SKr 7bn in 1983

Coalition in Austria shaken by protest over power plant

BY PATRICK BLUM IN VIENNA

FOR THE first time in decades, serious cracks in Austria's social consensus have appeared, following the unprecedentedly sharp conflict that has ranged the Government and the trade unions against a motly group of predominantly young environmentalists, intellectuals and Christians, over the building of a hydroelectric power plant in Hainburg.

About 1,000 helmeted police with truncheons and dogs evicted protesters on the plant's site early on Wednesday morning. In the clashes that followed, 25 to 30 demonstrators were hospitalised, at least 44 were arrested, and several police were injured.

A demonstration in Vienna that same evening to protest against police violence was attended by 14,000, according to police estimates, and 30,000 to 40,000, according to the organisers.

The size of the demonstration, called at short notice, is extraordinarily high for Austria and reveals the depth of feeling over the issue.

The success of the police in clearing at least part of the proposed site for the plant from demonstrators after a week and a half long occupation, declared illegal by the Government, can only be temporary victory.

Police will have great difficulty in preventing demonstrators from returning to the site, a vast area of forest and swamps.

The police tactic is to cordon off small parts of the area piecemeal in order to allow workers to continue felling trees.

For the Government it could also turn out to be a Pyrrhic victory with serious political consequences. It is now facing a barrage of criticism about its handling of the conflict and faces a further damaging decline in popularity.

The long-term viability of the coalition between the Socialist Party and the small right-wing Freedom Party is now being questioned.

On the one hand, the Greens and their supporters, who include many Socialists, blame the Government for what they describe as "an unprecedented and brutal police action."

On the other hand, those in favour of building the Hainburg plant, including many trade unionists, accuse the Government of indecision.

The Government has already given in to an ultimatum by union leaders, who threatened to hold a counter-demonstration in Hainburg on Wednesday unless it took action to ensure that work on the site began.

Many people who believe the Government over-reacted to what was an essentially peaceful protest.

Dr Hans Pusch, a close and influential adviser to Chancellor Fred Sinowatz, yesterday rejected such criticism, saying that the Government had shown no hesitation, that it was determined to see the plant built, and that it would be built.

CREDITORS OF COLLAPSED SWEDISH GROUP ACT TO SETTLE DEBTS

Saléninvest ships seized at U.S. ports

BY KEVIN DONE IN STOCKHOLM

AT LEAST four ships operated by Saléninvest, the Swedish shipping company which collapsed into bankruptcy on Wednesday, were impounded at different ports in the U.S. yesterday.

Local creditors were unwilling to allow the ships to sail before bills were paid, but action by the court-appointed receiver in Stockholm later allowed the vessels to be released.

Saléninvest, Sweden's biggest shipping company, has gone bankrupt with debts of SKr 5.5bn – SKr 6bn ($630m – $670m). It is the biggest Swedish corporate collapse since the Kreuger crash in the early 1930s.

Saléninvest operated a fleet of around 140 vessels and was the world's biggest operator of refrigerated cargo vessels (reefers).

All the vessels seized yesterday were reefers, but the receiver is trying to keep much of the fleet in operation in the interests of the creditors.

A new company SRS Reefer AB has been formed with the guarantee of SKr 100m in new capital from a new Stockholm investment bank Gyllenhammar and Partners.

This new entity hopes gradually to take over the management organisation of the bankrupt Saléninvest's reefer division, which has previously controlled around 25 per cent of the world market.

The new company will not own any ships, but it hopes to manage as many as 60 of the original fleet of some 80 reefer ships previously operated by Saléninvest.

"So far, SRF Reefer has only one employe, Mr Mats Ruhne, formerly managing director of Saléninvest's reefer division and now managing director of SRS Reefer.

Details are still to be worked out with the receiver on how the new company should co-operate with the bankrupt Saléninvest estate, but SRS Reefer is bidding for much of the refrigerated cargo business formerly managed by Saléninvest.

Reviving 'Father of Europe's' ideals takes delicate touch

BY IAN DAVIDSON

Monnet . . . fought to keep alive the Community ideal

IN 1955 Jean Monnet, the legendary "Father of Europe," founded his archetypal pressure-group, the Action Committee for the United States of Europe, and for 20 years it remained the spiritual focus of the campaign to oppose the Gaullist view of Europe and to keep alive the Community ideal.

Today, nearly 10 years after old age forced Monnet to disband his committee, and five years after his death, an attempt to revive the committee in a slightly different form is being made by some of its previous members. The main difference, and the main challenge, is that Jean Monnet is no longer there to provide the driving force.

The programme, together with the enlarged membership, is expected to be announced in the next three to four months. By that time the revived committee hopes to have recruited leading representatives from all the main political parties and trades unions in the Community which support European integration. In addition, in contrast with the original Monnet Committee, it expects to enlist the participation of leading businessmen. The eventual membership may reach about 70.

Today's meeting includes a number of members of the original Monnet group, such as Mr Edward Heath, former Chancellor Helmut Schmidt, Mr Joop den Uyl, the Dutch Socialist leader, and M André Bergeron, the French trade union leader. Other participants include Sig Giovanni Agnelli, the Italian industrialist, Mr Ernst Breit, leader of the West German trade union federation, Sig Emilio Colombo, former Italian Prime Minister, and M Jacques Delors, president-elect of the European Commission.

The attempt is being marked by a meeting in Rambouillet of some 15 leading politicians, trade unionists and businessmen from the European Community, and their enterprise is being endorsed by President Mitterrand of France, who will today be their guest of honour at lunch.

At the end of their meeting, they are expected to announce the intention of enlisting a larger membership of representative European leaders, and of drafting a detailed programme of action for the further development of the European Community.

In particular, this programme is likely to concentrate on specific proposals for achieving a fully integrated market in the Community by a specific deadline, as well as proposals for strengthening monetary integration in Europe. At some stage, the revived Monnet committee is also likely to make proposals for technological co-operation, foreign policy co-ordination, and security.

Reviving a defunct institution in the absence of its charismatic founder is obviously a delicate task, and the instigators have been extremely cautious in taking soundings from leading politicians on whether the enterprise is feasible. They started in Paris and in Bonn, only gradually moving on to Rome and the Benelux capitals.

The British authorities have been kept informed, but it is only after today's meeting that the British political parties are expected to be approached for support.

Although the general purpose and method of the revived committee is identical with that of the original Monnet group—the mobilisation of political support for European integration—its approach is likely to be different because the problems facing Europe are different.

In the 1960s the chief problem was the histility of Gaullist ideology to European inegration. Today, after more than a decade of stagnation, the chief problems are perceived to be creeping protectionism and the resistance of national and bureaucratic vested interests.

Obstensibly, most if not all governments are keen to launch the Community on a more dynamic future. The difficulty is in finding a way to by-pass or conciliate the vested interests.

For this reason, the committee will try to draft a detailed programme which contains technical, political and procedural elements—not merely a specific timetable for the elimination of all internal obstacles to trade within the next 10 years, but also proposals for overcoming the log-jam in the Council of Ministers through new approaches to the vexed question of majority voting.

OECD WORLD ECONOMIC OUTLOOK

Slower growth of world economy forecast

THE WORLD economy is moving into a peirod of slower but fairly steady growth, the Organisation for Economic Co-operation and Development said yesterday.

In its December Economic Outlook, the Paris-based organisation predicts that the economies of its 24 member countries will grow by 3 per cent next year after 4¾ per cent this year. This slowing down mainly reflects the expected deceleration of growth in the U.S. to an annual rate of 3 per cent compared with 6¾ per cent this year.

Reports by Max Wilkinson

As a result, the balance between the growth in the U.S. and in Europe is expected to be more even than it has been this year, with the Japanese economy's growth rate gradually slowing from an annual 5¾ per cent in the first half of this year to 4½ per cent by the first half of 1986.

Inflationary pressures are generally expected to remain moderate. The average for the whole OECD area should decline from 5 per cent (for consumer prices) this year to 4½ per cent by the first half of 1986.

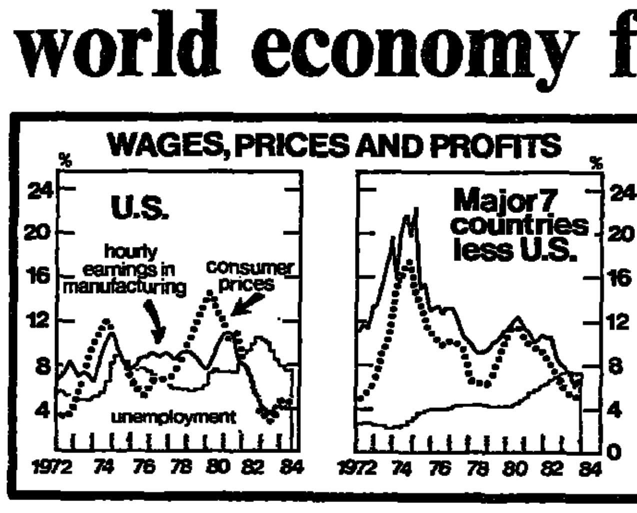
Unemployment is expected to remain little changed overall, some slight falls in the U.S., Japan and West Germany being balanced by small rises in France, Italy and in the group of smaller countries.

The OECD says in its introduction to the Outlook that the course of the recovery so far must be seen in the context of the broad strategy pursued by member countries since 1980.

It says that the aims have been to lay foundations for a period of durable growth by improving the flexibility of markets, reducing inflation, restoring profitability and reasserting control over government budget deficits and monetary growth.

"A central aim has been to spark off a recovery investment that would both expand demand and increase supply, thereby creating a recovery that has the best chance of proving sustainable."

The most widespread progress, it says, has been in reducing inflation. The average is down from an annual rate of 13 per cent in 1980 to about 5 per cent this year. At the same time, the gap between countries with the best and with the worst inflation performance has narrowed. The OECD now thinks that the prospects for inflation are better than at any time since 1972, and significantly more rosy than it believed at the time of its last forecast in July.



The Organisation has found some evidence of "wage moderation" in some member countries, where settlements have been lower than would have been expected by past standards. For most countris, it says, the prospects are good that wage settlements will remain moderate.

However, it warns that in Britain the rise in earnings has not come down as much as would have been expected given the high level of unemployment and the progress against inflation. "There is a risk that, as the recovery resumes, there may be resumed upward pressure on earnings, especially since company sector liquidity has improved so strongly."

For the world as a whole, it says, weak oil and commodity prices have helped dampen inflationary pressures. But, "continued decline in the relative price of commodities cannot be counted on—nor would it necessarily be conducive, on balance, to general economic and financial health." In real terms, the OECD estimates that commodity prices are 50 per cent below their 1974 peak and 8 per cent below the average for the 1960s.

In its discussion of the fiscal stance of the principal countries, the report notes large opposing movements, with the U.S. moving into a large "structural" budget deficit while Britain and West Germany have moved into surplus.

The "structural" budget balance measures the underlying surplus or deficit which a government would have if the economy were operating at full capacity with the minimum unemployment.

In the first five years of the decade, it is estimated that Britain's and West Germany's structural budget balances will have moved towards surplus by about 3½-4½ per cent of national income (GNP). In the U.S., the structural budget is expected to have moved into deficit by 2¾ per cent of GNP.

The OECD cautions that although the structural component of bugdet balances may be useful for indicating the effect on the economy it may not be a guide to the problems which governments face when having to sell an actual amount of debt, or in their consideration of the amount of outstanding debt in relation to GDP.

It adds: "Many countries attach importance to cotnaining the growth of public expenditure per se as well as to reducing deficits or debt. By this yardstick, less progress has been made."

Control of public spending has been made more difficult, it says, by the rapidly growing interest payments on outstanding public debt, which have risen by an average of 1½ per cent of GDP since 1980. At the same time, the share of public expenditure in GDP has risen in a major countries during the period, and the OECD says this is only partly attributable to the recession.

One of the more optimistic developments identified by the OECD has been the faster than expected rise in investment, particularly in the U.S. It says that this may reflect the rise in the marginal efficiency of high technology investment like computers, a phenomenon which may have been particularly important in the U.S. and Japan.

OECD Economic Outlook No 36 December 1984 from No 2 Rue Andre-Pascal 75775 Paris, Cedex 16, France, or from HMSO, price £5.50.

SUMMARY OF THE PROJECTIONS
(Seasonally adjusted)

	1983	1984	1985	1986 1st half*
	Percentage changes from previous period			
Real GNP				
United States	3.7	6¾	3	3
Japan	3.0	5¾	5	4½
West Germany	1.3	3½	2¾	2¾
UK	3.2	2	3	2¾
OECD Europe	1.3	2½	2½	2½
Total OECD	2.6	4¾	3	2¾
Inflation (private consumption deflator)				
United States	3.7	3¼	3½	3
Japan	1.6	2½	2¾	3
West Germany	2.9	2½	2	2½
UK	5.1	5	5¼	4½
Higher inflation smaller countries	27.1	37½	28½	23
Total OECD	5.3	5	4¾	4½
	$ billion			
Current balances				
United States	−41.6	−100	−131	−143
Japan	20.8	32	40	48
West Germany	4.1	2	7	11
UK	4.4	−1½	−½	−½
Total OECD	−24.8	−71	−86	−88
	Percent of labour force			
Unemployment				
United States	9.6	7½	7	7
Japan	2.6	2¾	2½	2½
UK	11½	11¾	11½	11½
OECD Europe	10½	11	11½	11¾
Total OECD	9	8½	8½	8½

* At annual rate

Recovery in U.S. expected to continue

THE OECD predicts some recovery in the pace of growth of the U.S. economy next year after a sharp slow-down to an annual rate of 2 per cent in the third quarter of this year.

It does not expect any marked pick-up in the fourth quarter of this year. However, it says that the slowdown from an unexpectedly buoyant annual growth rate of 8½ per cent in the first half of this year is likely to be only a temporary pause rather than a halt. It is predicting that growth will continue at an annual rate of about 3 per cent until the middle of 1986.

It says the buoyant growth in the early part of this year was largely caused by a surge in business fixed investment at an annual rate of 23 per cent, "well above the average for previous recoveries."

At the same time employment surpassed levels reached before the 1981-82 recession and about 7m jobs had been created since the recovery began.

"In this respect, the current business recovery has been the strongest since the cycles of the mid- and late-1950s."

But it is now expecting the high level of interest rates to exert an increasing brake on economic activity, mainly through a slow-down of house-building.

The OECD says that one of the main uncertainties in its forecast for the U.S. economy is the future of interest rates. Slower economic growth and lower inflation expectations could put downward pressure on rates. But, on the other hand, total credit demands are projected to remain high.

GROWTH OF REAL GDP IN SMALLER OECD COUNTRIES
Percentage changes from previous year

	Average 1972-82	1983	1984*	1985*
Austria	2.6	2.1	2½	3
Belgium	2.2	0.4	1¾	1¾
Finland	3.1	2.9	4¼	4¼
Greece	3.1	0.3	2½	2½
Iceland	3.4	−5.5	−1½	—
Ireland	4.0	0.6	3½	3½
Luxembourg	1.7	−1.3	½	1½
Netherlands	1.9	0.4	1½	1¾
Norway	4.0	3.2	3½	1½
Portugal	3.8	−0.1	−2½	1
Spain	2.6	2.3	2½	2½
Sweden	1.6	2.5	3½	2½
Switzerland	0.6	0.7	2½	2½
Turkey	5.1	3.2	5½	5
Australia	2.8	0.4	4½	3½
New Zealand	1.6	3.8	2½	−½
Total of above	2.4	1.5	3	2½

* Estimate.

Current account pressures 'may force dollar down'

THE OECD continues to believe that there are good grounds for believing that the U.S. dollar may fall substantially, although it admits that past forecasts of a decline have proved incorrect so far.

"Over the past year many analysis, including the OECD, have concluded that, on the basis of past relationships between exchange rates and competitive positions and current account trends, the level reached by the dollar appeared unsustainable."

The relative levels of short term interest rates, it says, do not appear to offer a convincing explanation for the dollar's high level.

However, it does suggest that capital movements may have become "more responsive" to levels of real interest rates and that this could go some way to explaining exchange rate developments in the past four years.

It adds, however, that "in the absence of a rigorous underlying analytical framework, caution is suggested in drawing conclusions."

Another possibility is that the strength of the dollar reflects higher profitability in the U.S. compared with other countries, and hence the robustness of its economy. But a "casual inspection" of the data did not support this view.

Yet the sharp deterioration in the current account of the balance of payments appears to have had no effect on the dollar so far, even though past experience would suggest that the dollar is well above its fundamental level on this criterion.

Although the current account seems to be adjusting to the inflows of capital to the U.S. in search of higher interest rates thereare other factors operating in the opposite direction, the OECD says.

As the U.S. builds up foreign overseas investors will tend to rise and this will put pressure on the exchange rate unless the rest of the current account improves its balance.

The OECD says that the key question is whether increased levels of fixed investment in the U.S. will be enough to generate additional net exports on a scale needed to match its higher payments of interest overseas.

Over the three years 1983-5, however, the U.S. cumulative current account deficit is expected to be $270bn, compared with a rough balance in 1981-2. But in the same period net business fixed investment is expected to rise by only $60bn compared with the pattern established in 1981-2.

These figures, the OECD suggests, gives little support to the idea that rising exports would cover future debt interest payments at present levels of the dollar. The implication is that the dollar would have to fall unless some other factor came to the rescue.

However, the OECD's analysis suggests that even a 20 per cent depreciation of the dollar might not have a very large effect on U.S. output.

Its simulations showed that after four years, U.S. output would rise by about 1 per cent while Japanese output would be lowered by 3 per cent. In Europe output should be cut by 1-2 per cent with prices reduced by 2-4 per cent in the period.

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EUROPEAN NEWS

Doubts surround Poland's economic recovery

BY DAVID BUCHAN AND CHRISTOPHER BOBINSKI

AFTER FIVE YEARS of economic crisis, Poland has reached a turning point. The U.S. has this week publicly lifted its veto on Poland joining the International Monetary Fund; so Poland should become the IMF's 148th member sometime next year.

At the same time, Warsaw is very near to sorting out debt arrears with its Western creditors, as it has already done with Western banks. A final meeting on this is due early next month.

This will not put much, if any, immediate new cash into Poland's empty coffers. It will remain technically bankrupt—unable to fully shoulder its $28 bn debt—for years to come. But at least there is now the prospect of borrowing from the IMF in 1986.

The scale of that borrowing will partly depend on Poland's IMF quota, a function itself of the country's size, state of development and involvement in the world economy. A rough guess would place the Polish quota between that of smaller Hungary (530m Special Drawing Rights) and that of equally populous but richer Spain (1.3bn SDRs).

It may be six months before IMF officials, whose earlier assessment of the Polish economy was rudely interrupted by martial law in December 1981, complete entry formalities.

Polish officials believe that the very fact of joining the IMF club will give Poland's abysmal credit rating a boost. Equally, they believe that a rescheduling accord with Western governments, even if it does not bring the new official credits they want, will lead to a modest reclassification of Polish exposure in Western banking systems and so permit banks to extend a bit more commercial credit.

Yet this turning point only shows up the bleakness of the perspective until 1990. As General Jaruzelski, the Polish leader, said recently in a candid moment: "We produce less, we work less, we live worse." He was referring to the 18 per cent fall in national income between 1978 and 1983.

Mr Guilio Andreotti, the Italian Foreign Minister, arrived in Warsaw yesterday for a three-day visit, the first by a senior Western official since Mr Hans Dietrich Genscher, his West German counterpart, abruptly postponed a trip here last month, writes Christopher Bobinski.

The Italian visit is the latest in a series marking Poland's re-emergence from the diplomatic isolation imposed by the West in response to the martial law crackdown in 1981. Mr Andreotti arrived on the eve of a two-day central committee meeting devoted to the economy due to start today.

The economy is slowly climbing back from its early 1980s collapse, and national income is now forecast to grow by 15-16 per cent over 1983-85, better than the 10-11 per cent originally hoped for.

But there are several grave doubts whether recovery can be sustained. First, imports from Poland's biggest partner, the Soviet Union, will not increase in 1986-90. Indeed, Moscow has warned Warsaw that the Soviet trade surplus or subsidy will end in 1988 and thereafter Poland must start paying back its accumulated deficit.

Second, growth in the labour force will be minimal. Third, the Government is talking of the necessity of spending more on anti-pollution equipment to improve the country's bad environmental record.

Last and not least, the burden of debt repayment, shifted by rescheduling from the early to the late 1980s, will remain crushing. Poland spent 25 per cent of its foreign exchange earnings this year just meeting rescheduled, and therefore reduced, obligations to commercial banks; any deal with Western governments, which have not yet got a penny of their 1982-84 debt dues, could double the debt service ratio.

With the windfall of extra coal exports to Britain this year and at the cost of foregone imports of vital capital equipment from the West, Poland is running a hard currency trade surplus of $1.4bn. This is not a princely sum, given the calls on it.

IMF officials will be surveying a sorry economic landscape, with little light on the horizon, when they return to Poland. They will have to take this, and the country's political volatility into account, if and when they come to negotiate the Fund's standard loan conditions about freeing prices, cutting subsidies, aligning exchange rates, raising interest rates.

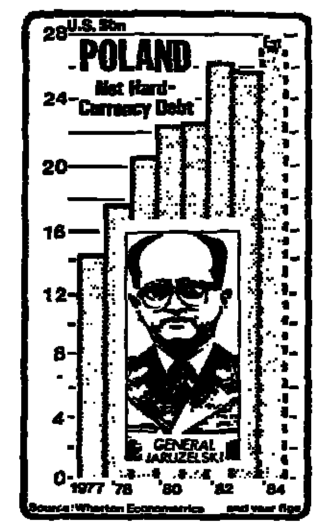
Poland, for instance, can hardly subscribe fully to the free trade and exchange rate articles of the IMF faith, when the black market dollar rate is five times the official rate and scarce foreign exchange makes rationing of imports vital.

But they could pose other key questions: why are incomes rising at a rate of 24 per cent when prices are rising by 16 per cent this year? Why has consumption risen by 22.7 per cent, well above the plan figure? Why is investment 18 per cent above its plan figure?

The answer to these questions is that the still-nervous Jaruzelski Government is anxious to keep the people as happy about living standards and jobs as it can. The IMF will find some officials, however, who fret about political constraints in "straightening out" the Polish economy and almost see themselves as the Fund's advancemen.

Their progress report to the IMF on the reforms started in 1982 would read something like this:

- Labour productivity is up, but quality of goods often down.
- Big gaps between supply and demand still exist in many areas, mainly because of price controls.
- Wages in some 700 companies are now set at the factory rather than the industry level. But despite some decentralisation, pay differentials are still too narrow to provide incentives and promote efficiency, with graduate engineers often earnings less than blue collar workers.



- Financial discipline is still weak, hence the continued high rate of investment spending. Some 200 companies are under bank-forced reorganisation, but not a single one has gone bust.

Perhaps the main message for the IMF would be that, like political reforms, economic reforms are all too reversible, unless cash and encouragement comes from the outside.

Genscher appeals to E. German refugees

By Leslie Colitt in Berlin

WEST GERMANY'S Foreign Minister, Herr Hans-Dietrich Genscher, personally appealed to enarly 70 East Germans, including 40 on a hunger strike, to leave the West German Embassy in Prague and return home.

Speaking directly to the East Germans who entered the Embassy three months ago in a bid to get to West Germany, Herr Genscher said the Bonn Government had done "everything humanly possible" to solve their problem. He noted they would have to trust an offer made by East Germany that they would not be prosecuted on returning home.

The East German authorities have said that under these conditions their exit applications would be "considered."

Several of the East Germans speaking to Western reporters said they would only believe East Berlin's assurances if they were guaranteed by the Bonn Government. Some said their exit applications had been rejected by the authorities for five years and longer.

The talk with the would be refugees was described by West German diplomats who accompanies the Foreign Minister as one of the msot difficult of his career. Herr Genscher himself fled from Halle, East Germany, in 1952, at the age of 25.

The meeting took place at the end of a three-day visit to Prague after which Herr Genscher drove to East Germany to visit relatives.

Italy's balance of payments surplus rises

By Alan Friedman in Milan

ITALY RECORDED a L2,943bn (£1.3bn) balance of payments surplus in November, almost four times higher than the November 1983 surplus.

For the period from last January to November the Italian balance of payments account has registered a total surplus of L3,084bn, slightly below the equivalent 11-month period last year.

Italy suffered balance of payments deficits during six months of this year, but this autumn the trend has been improving steadily. One key reason for the improving trend recently has been the inflow of capital. In addition, the Bank of Italy last June imposed a ceiling on foreign borrowings by Italian banks.

The imposition of the ceiling is thought to have contributed to the balance of payments surplus.

Cyprus summit meeting endorsed by Papandreou

BY ANDRIANA IERODIACONOU IN ATHENS

THE GREEK GOVERNMENT gave its blessing yesterday to a January 17 summit meeting in New York between Cypriot President Spyros Kyprianou and Turkish Cypriot leader Raouf Denktash, to negotiate a Cyprus settlement.

The summit was announced early last week by the United Nations Secretary-General, Sr Javier Perez de Cuellar, after three months of mediation in indirect negotiations between the Greek and Turkish Cypriots.

The Greek endorsement was delivered by Prime Minister Andreas Papandreou after about an hour and a half of consultations on the Cyprus issue with Mr Kyprianou and Mr Constantine Karamanlis, the Greek President.

Mr Kyprianou flew to Athens from Nicosia on Wednesday to brief the Greek Government.

The Cypriot President confirmed after the talks yesterday that he was committed to going to New York "in absolutely good faith for the achievement of a just and viable Cyprus settlement," and expressed "cautious optimism" on the prospects for a settlement.

The two men's statements eliminated fears that either Athens or Nicosia might be getting cold feet over the summit.

The Papandreou Government has always taken an uncompromising stand on the Cyprus problem, which if it is to be solved at all is expected to be solved through a compromise federal solution in which the Greek Cypriot majority will have to share both territory and constitutional power with the Turkish Cypriot minority on the island.

Mr Kyprianou, on the other hand, now finds himself completely at odds with Mr Denktash regarding the nature and purpose of the January 17 meeting.

Gadaffi says Libya-UK links should resume

LIBYAN leader Col Muammer Gadaffi, on a surprise visit to the Spanish island to Mallorca, suggested yesterday that Britain and Libya should repair diplomatic relations, broken off last summer writes our Madrid correspondent.

Col Gadaffi, who also met Spanish Prime Minister Felipe Gonzalez and former Austrian Chancellor Bruno Kreisky during his lightning visit to the island, said Britain and Libya should move towards re-establishing their former links.

The Libyan leader, who described his three-hour meeting with Mr Gonzalez on Wednesday as "very positive," said he did not believe there was a problem over the Spanish enclaves of Ceuta and Meilla in northern Africa which are claimed by Morocco.

Lisbon censure motion defeated

PORTUGAL'S Socialist-Social Democrat coalition yesterday overwhelmingly defeated an opposition censure motion tabled by the Conservative Christian Democrats in an attacking the 18-month-old Government's tough economic policies, writes Our Lisbon Correspondent.

Backed by a parliamentary majority of more than two-thirds, Sr Mario Soares, the Prime Minister, dismissed the motion, tabled by the Conservative Christian Democrats, as a minor incident of "party political infighting" that served only to delay more important debates on the belated 1985 government budget and an economic modernisation programme.

Sr Lucas Pires, leader of the small Christian Democrats, charged that the Government's success in cutting the current account deficit was achieved at the unjustifiable cost of an unprecedented domestic recession.

He said production, investment and living standards had fallen sharply because of the unexpected severity of the austerity programme but the government had not succeeded in cutting high inflation.

Sr Ernani Lopes, Finance Minister, said government policies had succeeded in curbing the inflation rate which had fallen from 33 per cent in June to an expected 23 per cent this month.

Growth in U.S. capital spending likely to fall sharply in 1985

BY STEWART FLEMING IN WASHINGTON

CAPITAL SPENDING for new plant and equipment in the U.S. in 1985 is expected to rise 6.8 per cent in real terms, sharply down from the 13.3 per cent increase expected for the current year but nevertheless a healthy rate of growth, economists say.

Considerable uncertainties still surround the capital spending outlook raising some questions about the accuracy of the forecast released by the U.S. Commerce Department yesterday.

Economic growth and corporate profits are expected to rise more slowly than in 1984 which will tend to depress capital spending. On the other hand interest rates have fallen quite sharply since the summer and some economists argue that the uncertainty about the tax outlook could encourage some companies to boost capital outlays. This would enable them to take advantage of tax incentives which might be eroded if the Reagan Administration does press ahead with major tax reforms.

What is also not clear is whether any Administration tax reform package would include the withdrawal of the investment tax credit and the accelerated depreciation allowances as the recent Treasury tax reform plan proposes. Opposition to the removal of the generous depreciation provisions available under the present tax code is widespread even within the Reagan Administration and the Treasury is hinting that the proposal could ultimately be dropped.

Releasing the results of its latest survey of capital spending plans the Commerce Department said yesterday that in current dollar terms manufacturing industry capital outlays are expected to rise 11.6 per cent compared with 17.5 per cent in 1984. The strongest gains are expected in the motor vehicle industry (up 30 per cent), electrical machinery (up 15.5 per cent) and the steel industry (up 19.6 per cent).

The extent to which U.S. capital goods manufacturers will benefit from the spending is in some doubt, however. Weakness in recent capital goods orders are being seen by some economists as evidence of the growing penetration of the U.S. market by foreign capital goods suppliers.

Separately yesterday the Department of Labour reported that consumer prices in the U.S. rose a slim 0.2 per cent in November, the lowest increase since June, and further evidence that inflation remains subdued.

Moderate inflation has been an important factor encouraging the Federal Reserve Board to ease its monetary policy in recent months. Slight increases in the transportation index which includes oil and car prices and in clothing, food and medical prices, help to account for the moderate inflation increase.

Honduras ends talks with U.S.

U.S. and Honduran negotiators yesterday ended their second round of talks on revisions of a 1954 military and economic assistance treaty, Reuter reports from Tegucigalpa.

The Honduran delegation said the representatives dealt only with military matters during the four-hour talks at an air base here, but had not discussed the establishment of a permanent U.S. military base in Honduras.

A senior Honduran official said the two delegations signed a joint communique but it would not be made public.

The U.S. negotiators, headed by General John Stein, returned to Washington yesterday.

U.S.-Japan liberalisation deal 'misconceived'

BY OUR WASHINGTON CORRESPONDENT

THE AGREEMENT between the U.S. and Japan aimed at liberalising Japanese financial markets was ill designed to achieve its primary target in U.S. eyes namely to boost the value of the Yen in relation to the dollar and so improve the competitiveness of U.S. business relative to Japanese.

This is one of the main conclusions of a new study of the Yen/dollar agreement by Professor Jeffrey Frankel, a senior staff eceonomist at the Council of Economic Advisers between August 1983 and August 1984.

In the report released by the Institute for International Economics in Washington ahead of the meeting next month between President Reagan and Prime Minister Yasuhiro Nakasone of Japan, Professor Frankel also challenges another assumption in current U.S./Japanese economic relations.

Examining recent currency movements he says that the yen is not especially undervalued as many American businessmen contend. Only European currencies have depreciated sharply since 1980, he says, arguing that the main problem is the strength of the dollar which has its roots in U.S. economic policy.

Split leads to formation of new Brazil party

By Anne Charters in Sao Paulo

BRAZIL'S POLITICAL spectrum broadened on Wednesday with emergence of a new political party, the Partido Frente Liberal, formalising the split in the Government party just prior to indirect presidential elections in mid-January.

The formation of the new party should not affect the outcome of the electoral college vote for Brazil's next president.

Sr Tancredo Neves, a compromise candidate, supported by opposition parties including the newly constituted PFL, is well ahead by a comfortable margin of delegates' votes.

Rather, the emergence of the party, headed by Sr Aureliano Chaves, Brazil's vice-president, signals a break in the struggle for control within the Partido Democratico Social, the Government party headed by Sr Paulo Maluf. Sr Maluf, the PDS candidate for president, has watched his support dwindle in recent months, and is almost certain to lose the election.

Not that former members of the Frente Liberal faction within the Government party have formally broken off, Sr Maluf's influence, as well as that of the party, is likely to be further eroded.

Brazil's military-backed Government has promised to respect the outcome of the electoral college vote in January, and turn the country over to civilian rule next March.

Taking advantage of the Government's promise to restore democracy, the PFL is establishing itself now in order to strengthen its position prior to congressional elections currently slated for 1986.

Lagos is toughening up on 'indiscipline', a special correspondent writes

Nigeria starts to meet its targets

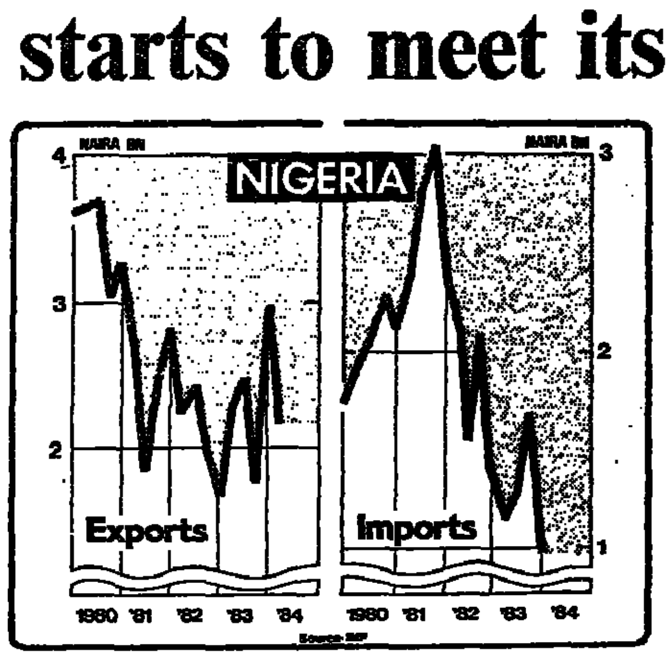
THREE YEARS in prison for stealing a car battery may seem a bit steep, but this sentence passed last week on a thief in Yola, North Western Nigeria, reflects both the country's economic predicament and the tough stance taken by the military authorities towards any form of social indiscipline.

Batteries in Nigeria are made with imported materials, and as a result of the Government's rigid restrictions on foreign exchange expenditure, they are now in very short supply. Their price has gone up accordingly—from naira 85 (£80) in November last year to N300 today. This story has been repeated throughout the manufacturing and industrial sector.

In its 1984 budget, the new military Government led by General Muhammadu Buhari, set an annual limit of $10.4bn on foreign exchange expenditure, 15 per cent down on import levels in 1983 and a drastic 38 per cent drop on 1982.

To ensure that the limit was observed, all imports were placed on licence, a measure which was in itself restrictive since it was not until the middle of the year that the Ministry of Commerce and Industries was in a position to issue licences in any numbers.

As a further control, the Government limited the amount of foreign exchange available to each bank on a strict pro rata basis, according to its assessment of need. Frequently, by the time companies secured an import licence, their banks had exceeded the monthly foreign exchange allocation.



It is a far from satisfactory system, but the net result is that government is meeting its targets, with imports running just below $5bn to the end of June. The year-end figure is likely to be below the $10.4bn ceiling, for last October's abrupt dismissal of SGS, the firm responsible for the pre-shipment inspection of exports to Nigeria, disrupted trade.

The cost of reaching the target, however, has been considerable. Since most Nigerian industries depend on imported raw materials and parts, production has been cut often by 50 per cent or more. The cuts have been accompanied by staff layoffs, reductions in investment and cost-cutting exercises. Although a few companies are pulling out, most seem determined to see the recession through.

Restrictions on imports have been accompanied by cuts in federal and state government spending. The federal Government stopped or slowed down major projects at the beginning of the year, and work has only recently and haltingly been resumed. Projected state expenditure this year is down from N11bn to N7.2bn, and the construction industry has been hard hit.

Some companies are owed over N100m, and there is little prospect of sufficient business in the foreseeable future to generate enough cashflow to service their overdrafts.

The net result is a combination of inflation and recession. Official figures—probaly underestimated—for the first half of 1984 show inflation running at 38 per cent and it is certainly rising.

There have been rumblings of discontent about jobs and prices, but these criticisms pose no immediate threat to Gen Buhari and his colleagues. But if the protests are not to grow louder, the Government will have to establish clearly its control over the economy.

There has been some measure of success, beginning with the agreement in 1983 by the then civilian administration for the refinancing of some $2bn of trade debt. The central bank's offer to reschedule uninsured trade debts in April this year was widely accepted.

There are also signs that a compromise may be reached with export credit agencies over insured debt. In addition the Government's management of its oil price and production policy since the summer of 1982 has succeeded in maximising revenue through difficult times.

The problems, however, remain daunting. The first is the scale of Nigeria's debt burden. Medium-term debt is put at $11bn, and to this should be added the rescheduled short-ter mobligations of some $6-8bn. The cost o fservicing this debt in 1985 could take up more than a third of its export revenue—projected at roughly $12bn.

Even at the curent low level of import, the Government is having great difficulty in keeping pace with its external payments, and reserves have fallen from $1.3bn in June to $990m at the end of last August—barely one month's import cover.

The critical factor is oil production, which accounts for over 95 per cent of export earnings. Nigeria's production is currently running at about 1.6m barrels a day (b/d)—well over its 1.3m b/d quota, and there are doubts that this can be sustained indefinitely.

But even with this extra margin the Government will find it very hard to meet its external obligations next year. This makes it all the more important for Nigeria to settle the second major problem it faces: its inability to agree with the International Monetary Fund.

Negotiations for a $2.5bn loan remain stalled over one issue—devaluation of the naira. The Government's view that devaluation is of little benefit to an economy dominated by a single export which is denominated in dollars has not convinced the Fund, and the impasse remains.

In some ways, the Government's most difficult problem lies in living down the decisions of its predecessors, including two examples in particular—Nigeria's projected new capital at Abuja and the development of a steel mill at Ajaokuta.

Abuja is today a ruined city of half-built hotels and deteriorating expressways. Given the country's economic plight, in the opinion of most observers, completion is likely to be too expensive—yet the government has committed itself toa three-phase move to the new capital by 1990.

The Russian-designed steel mill at Ajaokuta presents an even greater threat to the budget. It will take vast financial resources ot complete the construction of the mill, which is based on outdated technology.

The forthcoming 1985 budget, due anythime now, and the 1986-90 Five Year Plan now being drawn up, may reflect changed government priorities. If not, the Yola battery their may be serving his time in vain.

Nancy Dunne on an unholy row over a plastic pageant of peace

Putting Christ back into Christmas

THE GLOW shed by 56 Christmas trees, one for each U.S. state and territory, lights up the parkland behind the White House where the "Pageant of Peace" was formally installed 10 days ago.

Despite its charm, the traditional holiday display has brought little in the way of harmony. Behind the twinkling trees, between the reindeer pen and the yule log exhibit, lies a plastic manger scene with 20 near life-size figures, which is now engulfed in controversy.

It is the first creche to be displayed on public land in the capital in 11 years, since a U.S. district court of appeals ruled that nativity scenes, as religious symbols, violate U.S. guarantees of church-state separation. Its reappearance is the result of a supreme court decision last year and of pressure by new Right fundamentalists who seek to "put Christ back into Christmas."

The decision of the American founding fathers to forgo establishment of a state religion and to provide constitutional guarantees for minority faiths has long spawned disputes in the U.S. In recent years, these have ranged from the serious — like the question of providing public aid to private schools — to the seemingly trivial — whether schools are transgressing the constitution when they allow a moment of silence for prayer.

The U.S. supreme court is scheduled to decide on six church state cases soon, but an attempt by th court to settle the creche question last March seems to have raised as many questions as it answered.

In a 5-4 decision, now often known as the "two plastic reindeer rule," the court upheld the constitutionality of a city-sponsored nativity scene on private parkland as part of a larger secular Christmas display. It drew a distinction between secular and religious displays, ruling tht Santa Claus is now a folk figure, rather than a religious symbol, and that creches, when displayed with such secular objects, can be considered historical.

The court did not, however, rule on a publicly funded creche on public land or the privately bought manger scenes on public grounds. It did agree to hear a suit this year filed by a private group which has been denied permission by the village board in Scarsdale, New York state to display a creche on city-owned property.

The National Park Service ignored all the contention when it gave permission for the erection of a creche paid for by private funds behind the White House. On the other side of the President's house, park officials pointed out, a group of hassidic J-ws have ben allowed to display a large chanukah menorah candelabra.

A coalition of five religious groups protested against both displays to Mr William Clark, the U.S. Interior Secretary. In a letter written by the American Jewish Committee and signed by organisations representing Unitarians, Lutherans, Episcopalians and the Americans for Religious Liberty, the coalition contended that "religious symbols of all faiths belong on religious and other private property, not on public property and not sponsored by the Government.

"There is a serious question as to whether the federal Government, which represents all the people, ought to sponsor sectarian displays, such as creches and menorahs, which are likely to create divisiveness and mar the spirit of goodwill of the holiday season," it said.

Meanwhile, creche combat has spread across the country. "In Chicago, reformist Mayor Harold Washington banished a nativity scene which had been a fixture in the City Hall lobby for 30 years. City alderman accused him of Scrooge-like insensitivity, and city workers, in their own time, put the creche back, along with a sign saying no public money was involved. The Mayor then relented, to put an end to a debate which he said was getting "quite ugly."

A federal judge in Detroit last sumer prohibited a public Nativity scene in Birmingham, Michigan. The order did not discourage Dearborn, Michigan, officials from ordering their own city creche. The American Civil Liberties Union has now filed suit on behalf of eight Dearborn residents who want an injunction, $5,000 in damages and further fires for each day the exhibit is displayed.

Controversy has also erupted in Charlottesville, Virginia, and Brattleboro, Vermont, over devotional scenes not surrounded by secular objects.

Much of the anti-creche crusading is led by Jewish groups, already disturbed by the growing power of the religious Right and always vigilant over Church-State separation issues. "This is not officially a Christian country," said Mr Sam Rabinove, attorney for the American Jewish Committee.

"The Constitution makes no mention of God or Jesus Christ. The Declaration of Independence refers only to the Creator. The founding fathers knew what happened in Europe when Church and state were joined, and they wanted to establish a country of true religious freedom."

Opposition comes from many Christians as well, who view plastic nativitiy scenes in secular settings as degrading.

"Such displays do not express respect for the religions of minorities or those who chose not to have any religion," said Ms Sue Buckler of the Unitarian Universalist Association. "The pageant of peace stirs up competition among various groups. It is totally inappropriate as a national event."

Japanese shelve tax reforms

By Jurek Martin in Tokyo

THE JAPANESE Government and the ruling Liberal Democratic Party, in technically separate recommendations, have effectively shelved any attempt at consequential tax reforms until 1986 at the earliest.

This week, both have proposed measures, likely to be incorporated into the next budget, that could generate an extra Y330bn (£1bn) in revenues in the 1985 fiscal year, mainly through marginal changes in business allowances.

But, after much deliberation and a good deal of lobbying by vested interests, neither could agree on new consumption taxes or on ways of bringing into the tax net the estmiated Y245 trillion ((million million) of small personal bank and post office savings which currentlv escape tax.

Though nominally high, real Japanese tax rates are among the lowest in the industrialised world. The Organisation for Economic Co-operation and Development has frequently urged Japan to introduce more indirect taxes—a message not lost on a Government labouring under a Y12 trillion annual budget deficit

In recognition of this, both the Government and LDP tax panels called for the introduction of major indirect taxes in 1986 and for tighter controls over personal savings (where, at present, interest on any deposit up to Y3m (£10,000) is not subject to tax

But recent Japanese political history, most notably the attempt to raise taxes in 1979, suggests that here, as elsewhere, higher taxes do not equal votes. A general election is possible next year, but more likely in 1986, which implies a further delay in tax reform.

Britain still backs HK, says Thatcher

BY DAVID DODWELL IN HONG KONG

MRS MARGARET THATCHER Britain's Prime Minister, yesterday pledged Britain's total commitment to ensuring that Hong Kong's "genius" will flourish well beyond the year 2000, and that Hong Kong will make a "significant contribution" to the future development and modernisation of China.

Mrs Thatcher was speaking in the territory just 24 hours after British joint declaration on Hong Kong's future when China regains sovereign control in 1977.

The agreement was just "one task completed" and the Hong Kong people and the British colonial government together had 12 years to prepare for Hong Kong's integration with the Communist mainland, Mrs Thatcher declared.

In a speech before Hong Kong's Executive and Legislative bodies, Mrs Thatcher praised the Hong Kong people, highlighting the "remarkable talent and energy" that is "the main reason" for the colony's success today.

Britain would do all in its power to preserve "what Hong Kong people have built up by their own eadeavours," she added.

Her comments gave fresh impetus to the territory's stock markets, boosting the Hang Seng Index, the main market indicator, to its highest closing level for 2½ years. It closed 11.11 points up after a heavy day's trading at 1184.42.

Mrs Thatcher went on to stress that the success of the agreement would depend on the good faith and commitment of Britain and China. She guaranteed the "strongest possible commitment" from the British Government, and said China's leaders had made similar firm commitments.

Today, Mrs Thatcher plans to fly on to the U.S. for discussions with President Ronald Reagan before returning to the UK on Sunday.

South African inflation rises for fourth month

BY ANTHONY ROBINSON IN JOHANNESBURG

INFLATION in South Africa rose for the fourth consecutive month in November, with consumer prices now standing 13.3 per cent above the level of a year ago and further strong inflationary pressures in the pipeline.

Higher Government spending and taxation and inflationary pressures generated by a depreciating rand are the main factors behind the inflationary surge.

Petrol prices are expected to rise sharply in the New Year, together with automobile prices and other consumer products with a high import content.

The electricity corporation Escom has also announced plans for a two-part rise in electricity tariffs next year, 10 per cent in January, followed by another 10 per cent rise in June.

The latest figures for Government spending were also released yesterday and show a 19.3 per cent increase in Treasury outlays on central government services.

Peres faces new crisis on Lebanon

By David Lennon in Tel Aviv

LESS THAN a day after it resolved the crisis caused by the temporary defection of one of the junior coalition partners, Israel's National Unity Government appears to be facing a new and more serious crisis over the Lebanon issue.

The dispute which led to the resignation of the small Shas religious party was resolved early yesterday with the Shas leader agreeing to accept the Interior Ministry portfolio. The rival National Religious Party (NRP) is to hold the portfolio of the Religious Affairs Ministry.

Even as that crisis ebbed, sharp differences of opinion over the scale and timing of a possilbe unilateral pullback of Israeli forces in Lebanon are emerging within the Cabinet which is due to debate the issue at its meeting on Sunday.

The Israelis yesterday warned that they may pull out of the negotiations with Lebanon if they do not receive a positive rsponse before or at the next negotiating session in early January, to their proposals for the redeployment of the UN peacekeeping forces (Unifil) into the areas to be evacuated by the Israeli forces.

Zia wins referendum

President Zia-ul-Haq received more than 93 per cent of the votes in Wednesday's referendum the Election Commission said on the basis of counting so far, Mohammed Aftab reports from Islamabad.

As a result he has won a five-year term for himself, and endorsement of his Islamisation policies.

With 56 of 80 administrative districts counted, Gen Zia won 11.12m out of 11.88m votes cast. Voter turnout was 61.6 per cent.

Lee's party sets sights on seventh term

BY CHRIS SHERWELL IN SINGAPORE

IN A display of sustained support seen in few other non-Communist countries, voters in the tiny island state of Singapore are expected to give the ruling People's Action Party (PAP) a remarkable seventh parliamentary term when they go to the polls tomorrow, confirming Mr Lee Kuan Yew as one of the world's longest-serving elected Prime Ministers.

The PAP, with candidates already returned unopposed in 30 seats, is certain to form the Government, but wants a clean sweep of all 79 constituencies.

It is standing on its record of impressive economic growth and solid political stability in the 25 years of nationhood, and its ambitious vision of achieving a "society of distinction" in 1999.

The fragmented and disunited opposition, putting up more candidates than in the past, has attacked the PAP's centralised, autocratic rule, saying there is an "atmosphere of fear" in Singapore, and has criticised unpoplar government moves in education.

Ministers say the election is a watershed because it marks a changing of the guard. Mr Lee has promised to retire when he is 65, in four years' time, while other "old guard" leaders, including Dr Goh Keng Swee, the inspiration behind Singepore's economic success, have stepped down.

The PAP, which was stunned by its first poll defeat in 18 years at a by-election in 1981, has also co-opted 26 new candidates—all with degrees,average age 38—to appeal to younger voters.

It is estimated that half of the 1.54m elctorate either does not know or cannot remember what life was like before Mr Lee.

One of the new candidates is the Prime Minister's 32-year-old son, Lee Hsien Loong, a Cambridge graduate who rose rapidly to Brigadier-General in the regular army.

His move has brought accusations that Mr Lee is trying to create a dynasty ,a charge he flatly denies but cannot avoid.

Lee Hsien Loong and five other new men have already been tipped to become Ministers or junior Ministers in the new Government.

They will jostle for the succession in the coming years with such established "second generation" leaders as Mr Goh Chok Tong, the Defence Minister, and Mr Ong Teng Cheong ,the trade union chief.

Tey will also have to deal with an economy slowing down and likely to grow less rapidly than before.

Earlier this week, Mr Lee himself revised his own recently-reduced forecasts for growth, saying Singapore could hope for 4-6 per cent in the future, well down on the double-digit levels of the past.

Reminding Singaporeans of their dependence on foreign investors, Mr Lee urged them for their own good to show confidence in his new young team, which he called an "amalgam" of Singapore society, by returning it resoundingly to office.

The short official campaign, however, bringing to a climax a full year of preparations by the PAP, has not gone all the ruling party's way.

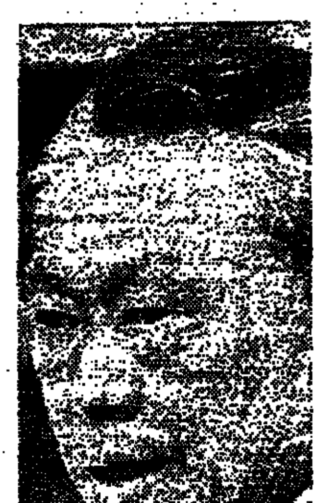
Cutting insults have been sharply returned, and strong anti-government opinions have won loud cheers at well-attended opposition rallies.

At least five contests are regarded as close, with the Anson constituency attracting particular interest as the sole opposition-held seat. Mr Ben Jeyaretnam's by-election victory there for the Workers Party in 1981 ended 13 years of one-party parliaments in Singapore.

So keen is the PAP to reverse this that an opposition vote of more than 30 per cent in the contested seats—it averaged 22.3 per cent in 1980—will be regarded as a setback, and defeat in any seat will be a shock. If it succeeds, this would mean the PAP's "trust us" message has again got through.

That will bring a dilemma for the opposition, for the three best losers will be entitled to "non-constituency" parliamentary seats under a constitutional amendment passed earlier this year.

The opposition has called them "second class" seats, and could embarrass the Government by not taking them up. But they may represent a last opportunity not to be missed.



Mr Lee Kuan Yew . . . aiming for a clean sweep of all Singapore's 79 constituencies

EEC and Canada settle newsprint imports dispute

BY QUENTIN PEEL IN BRUSSELS

CANADA and the European Community have reached agreement in the long-running dispute over EEC newsprint imports, with a figure of 600,000 tonnes set as the duty free quota for Canadian exporters in the coming year.

The settlement, approved at a meeting of the Council of Ministers on Wednesday, means that the total EEC newsprint quota under the General Agreement on Tariffs and Trade will be 650,000 tonnes, compared with a former figure of 1.5m tonnes.

The deal follows weeks of talks between EEC and Canadian officials, after the recommendation of a Gatt panel that any quota reduction must be negotiated, rather than imposed unilaterally by the Community.

It includes a provision for all newsprint suppliers to the EEC, including Eastern Europe and South Africa, to compete for any part of the quota unfilled by the end of November, as well as clauses providing for an extra 30,000 tonnes if the initial "bound quota" is exhausted.

The need to reach agreement has been urgent, with the Community set to exhaust its present newsprint supplies by the end of the year. It means that shiploads already en route from Canada can be delivered.

Difficulties about Canadian sales in the EEC arose since the beginning of the year, when rival Nordic producer began to enjoy unrestricted access to the market in terms of an industrial free trade agreement between the Community and the European Free Trade Association (Efta).

The European Community argues that the former Gatt quota of 1.5m tonnes for duty free import from supliers enjoying most favoured nation status should be drastically reduced, because the Efta suppliers were now outside the quota. However Canada objected to a unilateral decision to do so.

The key talks on finalising the agreement were held between Viscount Etienne Davignon, the EEC Commissioner for Industry, and Mr James Kelleher, the Canadian Trade Minister, on December 15, but legal problems were only sorted out this week.

Cresson urges united fight against U.S. protectionism

EUROPE'S farmers see themselves faced with an "American declaration of war" and U.S. protectionism should alarm Europeans, M Edith Cresson, the French Foreign Trade Minister, was quoted as saying yesterday, Reuter reports from Bonn.

In an interview in the Dusseldorf newspaper Handelsblatt, she said Europeon nations had to organise because they would only be listened to if they stood together.

This was demonstrated, she said, when they successfully opposed Washington's bid to block the Siberia-West Europe natural gas pipeline in 1982.

Count Otto Lambsdorff, the former West German Economics Minister, interviewed in the newspaper Neue Osnabruecker, said the upsurge of protectionism in the U.S. was "frightening."

But Herr Lambsdorff, now economic affairs spokesman for the Free Democrat party, said the European Community shared the blame.

"If the Community believes it can sell 100,000 tonnes of butter to the Soviet Union at giveaway prices, breaking all international rules on pricing . . . it cannot expect American and other countries just to watch their markets being ruined."

Prisoners' role in trade

BY NANCY DUNNE IN WASHINGTON

A U.S. Government report yesterday estimated that about 1.2-1.5m prisoners in the Soviet Union and 1m in China manufacture goods that may enter international commerce.

Such exports, including various chemicals, metal ores, electrical equipment and petroleum products from the Soviet Union, would be illegal in the U.S. under a rarely used 54-year-old law. Conservatives in Congress have been using the statute to demand that the Administration imposes a curb on Soviet imports.

Texas Instruments boosts plant in Oporto

By Peter Wise in Lisbon

TEXAS INSTRUMENTS has injected $43m (£36m) of fixed capital into its Oporto plant in a modernisation project that will double its exports of integrated circuits from Portugal.

Under the terms of an accord signed with the Foreign Investment Institute, the project's foreign exchange balance of exports over imports will be worth $100m to Portugal with a minimum annual value of $5m.

The investment, geared totally towards export, comprises the installation of new technology and the upgrading of existing equipment. Thirty specialised engineering posts will be added to the existing workforce of 700.

The agreement includes collaboration between Texas Instruments and the University of Oporto in creating new technology courses.

Mr William George, Texas Instruments Vice President, praised the support and incentives the Portuguese Government had given the company in overcoming the effects of the 70s oil crisis. The company has been in Portugal since 1973.

A Formosa-based garment making company is also negotiating a $6m investment in setting up an Oporto factory employing 300, according to the Foreign Investment Institute.

The British paper company Wiggins Teape is negotiating a joint venture project with Soporcel (Sociedade Portuguesa de Celulose) Portuguese, the state owned pulp company.

Egyptian gas deal proposed

By Tony Walker in Cairo

SHELL WINNING, the Egyptian division of Royal Dutch Shell ,has submitted a proposal for developing a new gas field in Egypt's Western Desert.

Mr Hubert van Engelhoven, managing director of Royal Dutch Shell, discussed the proposal at the weekend with Mr Abd al-Hadi Muhammed. Company officials expect a decision in the New Year.

Cost of developing the gas field, which has reserves of up to 1 trillion cubic feet, would be in the order of $150m to $200m. Product would be piped to Cairo, a distance of some 300 kilometres.

UK fears it may lose out on £1bn aircraft contract

Saudis keep arms deal options open

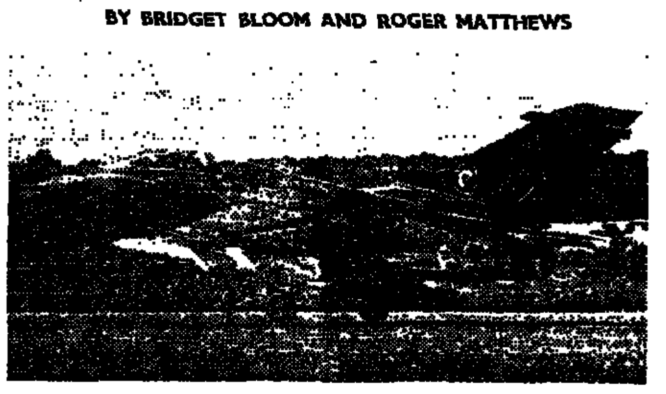
BY BRIDGET BLOOM AND ROGER MATTHEWS

THE BRITISH Government is seriously concerned that a £1bn arms deal with Saudi Arabia may be slipping through its fingers. It would be the biggest British arms contract with Saudi Arabia for nearly 20 years and initially involves the sale of 20 Tornado ground attack aircraft and 24 Hawk trainers.

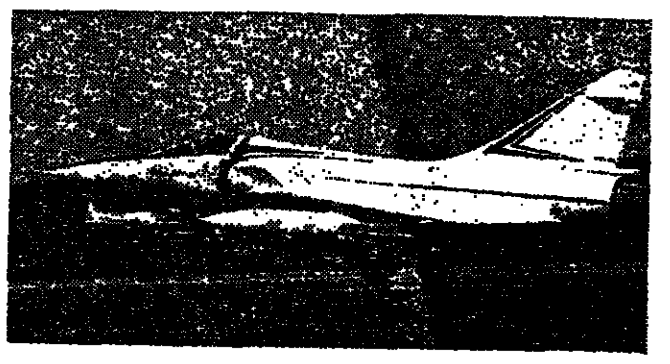
British officials had believed as recently as August that the deal was on the point of being signed. However the French then stepped in with an offer to provide an updated version of the Mirage 2000 and despite a recent visit by Mr Michael Heseltine, the British Defence Secretary, to Riyadh for talks with King Fahd, Saudi Arabia is delaying a final decision.

Members of the Saudi royal family, including the King, have been particularly angered by recent British Press reporting of the contract negotiations and of other events involving leading Saudi personalities.

Despite what British officials say is the clear technical superiority of the Tornado over the Mirage 2000, there are serious fears in Whitehall that the Saudi decision will be based primarily on politacl factors.



Rivals: the UK's Tornado (above) and France's Mirage 2000. British officials believe their product has a clear technical superiority but there are fears that the Saudi decision will be bsaed on political factors



Superiority

France is believed to have been stressing its strong political commitment to the Arab nations and in particular the considerable support that it has been giving to Iraq in its four-year war with Iran. The French provision of five Super-Etandard aircraft equipped with Exocet missiles has allowed Iraq to attack vessels from several nations attempting to load oil at Iran's Kharg Island terminal.

It is the possible military threat posed by Iran to other states in the Gulf which is believed originally to have stimulated Saudi interest in an advanced ground attack aircraft to complement its American-supplied F-15s which are primarily for air defence.

The Tornado is said by British officials to be far superior to the Mirage 2000 in range payload, radar and low-flying capability.

It is specificially designed for ground attack whereas the version of the Mirage 2000 which the Saudis are being offered was originally designed for high altitude air superiority.

The version is apparently the Mirage 2000n, being developed for France's nuclear strike force. Saudi Arabia would obviously be offered a non-nuclear varient.

In addition, initial deliveries of Tornados could begin in 1986, well in advance of the Mirage.

The real rival to the Tornado could be the American F-15E but there would be strong Congressional opposition to its sale to Saudi Arabia because Israel would regard the aircraft as a potential threat to its security.

The Saudis are known to be anxious to avoid a repeat of the bruising battle in Congress over the sales of Awacs early warning aircraft which came close to defeat as a result of fierce Jewish opposition.

They have also expressed a desire to continue diversifying their arms procurement programme, a policy which has already been of considerable benefit to France.

France has supplied AMX-30 tanks, frigates for the Saudi navy and in January clinched a contract believed to be worth up to $4bn (£3.3bn) for Shahine mobile surface to air missiles, based on the Crotale missile.

Britain is anxious for a decision on the Tornado sale early in the New Year because of the effect it would have on British Aerospace's manufacturing programme for the aircraft and the timing of deliveries to the Royal Air Force.

The RAF has ordered a total of 385 of the Anglo-German-Italian Tornado, of which 165 will be the air defence variant and 220 the ground attack version. Saudi Arabia would take aircraft currently on the production line for the RAF and officials say long-lead items would have to be ordered within the next few weeks for the later deliveries of substitute aircraft for the RAF.

However, there may also be other factors affecting the timing of any Saudi decision. The inability of Iran to achieve a breakthrough in the land war with Iraq may have convinced some members of the Saudi royal family that the military threat from Tehran has passed its peak. They might also argue that Saudi Arabia's air force has shown it is quite capable, with the aircraft it already possesses, of handling any incursions by a severely weakened Iranian air force.

Saudi Arabia is also facing budgetary constraints caused by the weakness of world demand for oil and its key role within the Organisation of Petroleum Exporting Countries in defending the $29 a barrel reference price.

Sophisticated

However, with total reserves close to $100bn, Saudi Arabia would not be deterred by financial considerations if it had decided that a sophisticated ground attack aircraft was urgently required for its security.

A further possibility is that Saudi Arabia may decide to divide the contract into two parts, although British officials argue that the Hawk trainer enjoys as big an advantage over the French alternative, the Alpha jet, as the Tornado does over the Mirage 2000.

Britain has been responsible for a substantial part of Saudi air training since 1966 when it won the contract to supply Lightning strike aircraft and Strikemaster trainers. It has been estimated that the total value of the British contract since 1966 could be as much as 12 times its original face value, underlying just how much is at stake in the negotiations over the Tornado and the Hawk.

France signs Mexican deals worth FFr 1.45bn

By Paul Betts in Paris

FRANCE HAS signed three contracts worth a total of FFr 1.45bn ($131m) with Mexico involving orders for two container ships, the construction of a fish canning factory, and the extension of the Mexico City underground.

The biggest contract involves the shipping orders amounting to FFr 750m. They are especially significant in that the two container ships will be built by La Ciotat shipyard in southern France. The shipyard is owned by the Normed group and haas been threatened with closure because of a dearth of new orders.

The shipyard will deliver the two container ships in September 1986 and January 1887. Normed is also negotiating the sale of gas transport vessels with Pemex, the Mexican hydrocarbon group.

The underground contract involves a total of about FFr 600m for the extension of two lines of the Mexico City metro. The project engineer of the contract is Sofretv, a subsidiary of the Paris unrban transport group RATP.

The third contract involves about FFr 100m for the construction of a canning factory by a subsidiary of Alsthom-Atlantique, the group comolled by the French nationalised CGE conglomerate. The fish canning plant is due to be built at Manzanille on the Pacific coast.

ECGD guarantees Malaysian loan

THE Export Credits Guarantee Department has guaranteed a £6.9m loan to help finance the supply of plant, equipment and services to Malaysia, our trade staff writes. These are to be used in the construction of the multi-purpose Sungei Ahning dam. The dam, in the Padang Terap district, will be used for water supply and power generation.

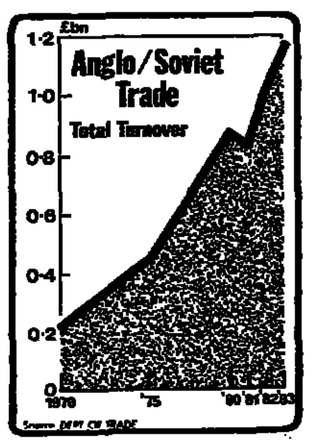
The contract has been awarded to Balfour Beatty which is sub-contracting to Balfour Beatty-Maju of Malaysia. Finance for the loan has been arranged by J. Henry Schroder Wagg.

GORBACHEV'S VISIT TO THE UK

Fillip for Anglo-Soviet trade

BY DAVID BUCHAN

MR MIKHAIL GORBACHEV, the Politburo member with wide responsibility for the Soviet economy and agriculture, appears to have revived British interest in the Soviet market with his visits this week to several major contractors and his speech yesterday to the London Chamber of Commerce and Industry.



British interest, particularly on the part of smaller UK companies, has flagged somewhat, as other Western competition since the mid-1960s has pushed the UK from number one to number eight among the Soviet Union's Western suppliers.

UK exports to the Soviet Union in the first 10 months of this year rose to £602m from £381m in the same period of 1983, while imports from the Soviet Union increased more modestly from £585m to £673m.

Much of the British export increase was due simply to bigger Soviet purchases of non-ferrous metals on the London exchanges. But a real and marked increase is in prospect with the advent of the next Soviet five-year plan in 1986-90.

Mr Gorbachev has no government post and is above the fray of negotiating contracts. But executives of companies like ICI, John Brown, Davy McKee, who have held talks with the Politburo leaders this week may be justified in their hopes of new orders, in the sense that, if they can match Western competitors on price, finance and technology, then their personal contact with Mr Gorbachev might tip the scales in their favour.

Key contracts where this might happen ni the next year include:

- Sales of petrochemical, chemical, chemical nad biotechnology processes in which ICI is the leading contender.

At a dinner on Monday night for Mr Gorbachev, ICI and the Soviets signed an agreement expressing the Soviet interest in buying and ICI's willingness to sell licences for the manufacture of single cell "pruteen" for animal feed, insecticides and fungicides, polyester fibre and polyester bottles.

- Construction of new plants to make polyolefins and plastics, and polyester. The UK contender for the polyolefins plant in Mr Gorbachev's home district of Budyennovsk in southern Russia is John Brown, while Davy McKee is bidding to build the polyester plant, possibly installing ICI technology, at Ufa in western Siberia.

Mr Gorbachev in his speech yesterday commented that these contracts were worth "a very solid sum," running into millions of pounds.

- A variety of smaller deals, ranging acros the sectors of machinery and equipment, agriculture, food processing, chemicals and petrochemicals. These were the areas in which Mr Gorbachev said yesterday he saw particular opportunities for British companies.

One example of a deal under discussion is the British Gas Corporation's proposals to supply equipment for pipeline inspection and maintenance, for the enormous Soviet energy

UK NEWS

Bank of England Quarterly Bulletin

Better outlook for recovery

BY PHILIP STEPHENS

THE ECONOMIC recovery in the industrialised world remains delicately poised, but the *outlook* has improved since earlier in the year, the Bank of England says in its latest Quarterly Bulletin.

In Britain the omens for continuing, albeit slower, growth seem fairly good – as long as the cost pressures which have recently emerged in the economy are contained and the miners' strike ends satisfactorily.

On the international front the main uncertainty centres on recent developments in the U.S., the Bank says.

It is still unclear whether the pause in U.S. growth heralds a welcome slowing to a more sustainable rate, whether it is only temporary, or whether it marks the start of an abrupt fall-off in activity which could bring problems for the rest of the world.

The Bank says that the underlying growth rate of Britain's economy has slowed somewhat, and implies that it expects an underlying rate closer to 2 per cent next year than the 3 per cent forecast for 1984.

*The actual growth rates, how*ever, will probably show a reverse profile, with output depressed this year by the miners' strike and "bouncing" back if the dispute ends next year.

The bulletin highlights a further deterioration in Britain's net trade in non-oil groups, despite the fact that export markets have been growing much faster than those at home.

Exports may now be improving again after a slowing during the middle of the year, but the improvement has to be set against the *sharply rising* trend of non-oil imports.

In the first 10 months of the year non-oil deficit was already greater *by £3bn than in the whole of* 1983. The Bank says this deterioration in Britain's trade may go some way towards explaining what it terms the relative sluggishness of manufacturing output.

Recent revisions to official output statistics have painted a slightly brighter picture for recent months, but only the electrical engineering, chemicals, paper and printing industries have shown substantial growth this year.

Consumer spending has also slowed somewhat, while fixed investment in manufacturing is still *smaller* in proportion to output than in previous recoveries, despite being 17 per cent higher than at its trough in early 1983.

On a *more optimistic note* the Bank says that Britain's main export markets should grow strongly again next year, while company finance and investment are fairly buoyant.

Britain could also expect to benefit from any future fall in U.S. and international interest rates.

Such a drop would stimulate private spending, provide an additional boost to the recovery in investment and enhance the opportunities for companies to raise equity finance and to improve their balance sheets.

The Bank believes, however, that the projected growth rates for the economy offer little chance of reducing unemployment unless cost, and particularly wage, pressures are better contained.

Buoyant average earnings combined with a marked slowdown in the rate of productivity growth has pushed the annual rate of unit wage cost growth to around 5 per cent, compared to only 1 per cent in 1982-83.

That contrasts with the performance of other industrial countries which by and large have managed to contain the rise in their industrial costs to very low levels.

Britain's manufacturers have so far been sheltered from the impact of this in export markets by sterling's depreciation.

THE FLOW of funds into dollars to finance the widening U.S. current account deficit could make the U.S. a net debtor to the rest of the world as early as the end of *this year, the Bank of England* says.

The rise in the dollar's value can be attributed both to the current mix of tight monetary and loose fiscal policies in the U.S. and to a major shift in international *portfolio preferences* towards dollar-denominated assets since the late 1970s.

The fact that real U.S. interest rates are higher than those elsewhere, however, is consistent with a market view that the dollar's real exchange rate will eventually decline, the Bank says.

Mainstream forecasts suggest a 5 to 10 per cent depreciation in the U.S. currency's value over the next year.

National debt at half of gross domestic product

BY MICHAEL PROWSE

AFTER FALLING for several decades, Britain's national debt is now rising slowly as a proportion of gross domestic product (GDP).

In the year to March, 1984, market holdings of national debt, as a proportion of GDP, rose by three percentage points to 50.3 per cent, according to the Bank of England bulletin. The annual increase in market holdings of debt was £16.9bn, taking the outstanding total to £130.9bn at the end of last March.

The composition and maturity of the debt has not changed greatly. More than 75 per cent is held in government (gilt-edged) securities; the next biggest chunk – about 15 per cent – is held by the general public in the form of national savings. Only 2 per cent of the debt is held in foreign currency.

Market holdings of national debt rose last year even though the central government borrowing requirement remained roughly unchanged. The sharp increase reflected the Bank of England's increased purchase of commercial bills from the banking sector.

A separate article in the Bank's bulletin examines the way that the public sector borrowing requirement (PSBR) has been funded over the past 30 years. It points out that "overfunding" – the sale of more debt than is needed to cover the PSBR – is not a new phenomenon.

Unemployment link to wage rates discounted

FINANCIAL TIMES REPORTER

NEW RESEARCH by Bank of England academic consultants does not appear to lend much support to the Chancellor of the Exchequer's belief in a simple causal link between wage rates and unemployment.

In the autumn, Mr Nigel Lawson, the Chancellor, claimed that 500,000 extra jobs would eventually be created for every year in which real pay remained static.

A paper by Sir Bryan Hopkin, a former chief economic adviser to the Treasury, concedes that high real wages can result in fewer jobs if they adversely affect the international competitiveness of British industry. He rejects, however, the suggestion that high wages can provide a general explanation of unemployment.

Since 1972, he argues, profits have never been low enough as a result of high wages "to deter producers from supplying at the then current rates of wages and prices."

A separate paper by Prof J. R. Sargent points out that, while real wages have consistently risen over the past 30 years, employment, too, *was rising up to 1964* but subsequently fell at an accelerating rate until 1983.

Prof Sargent argues that various factors such as "wage push," the cost of capital, the growth of effective demand and the tax system will affect the equilibrium level of employment.

Pay rise warning given by OECD

By Max Wilkinson, Economics Correspondent

THE BRITISH economy faces the risk of higher unemployment and increasing inflationary pressures, unless wages settlements are restrained, the Paris-based Organisation for Economic Co-operation and Development (OECD) warned yesterday.

The OECD also says that a prolonged *coal dispute could* become increasingly expensive with serious consequences for the economy as a whole.

These are the main dangers in its forecast for the UK economy, which generally endorses the views of the Treasury set out in its autumn financial statement last month.

The OECD's forecast, released with its December Economic Outlook, suggests a gradual slowing of the pace of growth in Britain with output rising by 3 per cent in 1985, about 1 percentage point of which is assumed to be a "bounce back" from the ending of the miners' strike. This *compares with a Treasury fore*cast of 3.5 per cent growth.

In the first half of 1986, the OECD expects private consump*tion and private fixed investment* to remain fairly buoyant with the economy growing overall at an annual rate of 2.75 per cent.

On inflation, the OECD is slightly less optimistic than the Treasury, which is predicting an annual rate of 4.5 per cent by the end of next year. On a slightly different basis, the OECD thinks that British inflation will be 5 per cent by the end of next year, falling to 4.5 per cent by mid-1986.

The published forecast shows no change in the proportion of the labour force unemployed up to mid-1986. The OECD's own figures, however, suggest further rises in unemployment to an adult total of 3.2m by the end of next year, with perhaps some slight fall in 1986.

In its commentary, the OECD says that, if the effects of the coal dispute are ignored, there seems to have been some slowing down in the economy after a fairly rapid rate of growth in 1983.

Retailers expect to break Christmas sales record

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE DISTRIBUTIVE traders sector – covering the retail, wholesale, and motor trades – is confident of record-breaking Christmas trade this December, according to the latest joint *Confederation* of British Industry/Financial Times survey of the sector.

The survey for the end of November was based on a response from 596 companies during the period from November 20 until December 12. As well as the monthly responses from companies, the survey also includes more detailed information obtained every three months.

The main conclusions show that retailers continue to report increases in sales volume compared with the same months last year, although the balance of retailers reporting increased sales at end-November was a little lower than in October.

Analysis of the survey results also shows for the first time that small single-outlet retailers are doing less well and are less optimistic about sales volumes than large multiple retailers.

Overall, however, retailers expect sales in December to continue higher than a year ago.

Comparison of the survey results with the official figures for retail sales volume shows that the difference between the two series has narrowed in the past few months.

The total survey results show that distributors' sales volumes in November were stronger than expected and remained higher than a year ago. Some 56 per cent of distributors reported higher sales in November, with 20 per cent indicating lower sales. For December distributors expect sales volume to *grow less fast* than *in* November but still at a significantly higher level than in December last year.

The volume of orders placed with suppliers also rose more than expected in November, and the survey respondents expect an increase in December. Distributors' stocks were also a little higher than expected in November although, for December, stocks are expected to increase at a *slightly slower rate.*

The more detailed questions asked on a quarterly basis show that imports as a proportion of deliveries from suppliers showed little change for distributors as a whole, compared with the end of August, when the question was last asked.

The numbers employed in distribution rose further than a year ago, *although these gains were made in* the wholesale and retail sectors and not in the motor trade.

Distributors, particularly motor traders, expect to spend more on investment over the next year compared with the past year.

*The largest response in the sur*vey came from retailers, who accounted for 332 of the total 596 respondents. The survey shows that there has been some slowing down of the rate of increase in retailers' sales volume, although the level of trade achieved and expected is still higher than a year ago.

Date set for air routes battle

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MR RANDOLPH FIELDS, the founder of Virgin Atlantic Airways, *will start his battle to set up a rival* transatlantic airline, Highland Express, at a public hearing next month before the UK Civil Aviation Authority (CAA).

The authority has set four days, January 8 to 11, for the hearing in London. Highland Express is seeking rights to fly between Stansted (north of London) and New York and Toronto, via Birmingham and Prestwick, Scotland, with links between Stansted and Maastricht, Holland.

The applications are being opposed by *Air Ecosse, Birmingham* Executive Airways and British Midland on the Birmingham/Stansted/Prestwick sectors, and by Virgin Atlantic and British Midland for the Prestwick/Toronto and New York sectors.

Mr Fields set up the original British Atlantic Airways, which became Virgin Atlantic Airways when Mr Richard Branson's Virgin Records *Group acquired a majority* stake in that airline. Mr Fields retains his own minority stake in Virgin and is still on the board.

Highland Express plans to offer a single fare as low as £89 standby from Prestwick to New York and Toronto, or £115 for tickets bought in advance. Virgin Atlantic's current cheapest single rate for London–New York is £129.

Highland Express will be *aiming* at the north of England and Scotland for most of its market, but as it will also be flying from Stansted and Birmingham, it will be in competition with Virgin Atlantic.

British Midland has sought rights to fly from *Birmingham and Glas*gow to New York and intends to fight Highland Express fiercely.

Mr Fields has said that "with only 5 per cent of the market we will be flying full." He forecast up to 460,000 travellers in the first year of operations, starting in June.

By setting aside four full days for the public hearing the CAA itself expects the fight to be a tough one.

In its case to be presented to the hearing, Highland Express says it plans to operate three Lockheed TriStar aircraft, using Prestwick as the "hub" of its operations.

This, says the airline, means "a new lease of life for Prestwick airport and in this way ensures the most effective use of UK airports with the minimum effect on the en*vironment.*"

It says that it will be "a leader in the new generation of lean and highly competitive airlines, satisfying all categories of demand and creating both a yardstick in cost-efficiency, and at the same time providing a stimulus for the more conservative British airlines."

UK NEWS

Notts miners agree to defy national union

BY PHILIP BASSETT, LABOUR CORRESPONDENT

MINERS' UNION leaders in Nottinghamshire – Britain's second biggest coalfield – yesterday made significant changes to the area's rules. Their action raises a threat to the unity of the National Union of Mineworkers (NUM) and might affect the future of the 10-month coal dispute.

The Notts area council voted for a series of rule amendments, the most important of which was the deletion of the rule giving ultimate authority over the area to the national NUM executive.

Mr Arthur Scargill, the NUM president, said last night that the decision "violates the rules of the NUM under which all constituent areas must adopt the union's model rules and carry out the directions, regulations and instructions of its national executive."

Mr Peter Heathfield, NUM general secretary, said that the rule changes placed the entire 40-year old structure of the union "in grave peril."

National Coal Board officials believe that once the Nottingham rule changes are in place on January 1 other areas of the NUM – such as Leicestershire and South Derbyshire – are likely to follow suit.

Mr Ray Chadburn, president of the Notts miners, said yesterday this could happen – "but I sincerely hope not, because at the end of the day our loyalties are to the NUM and that is of paramount importance."

Nottinghamshire – where most miners have continued to work during the strike – has in effect institutionalised an anti-strike anti-left leadership bastion in the union.

● Mr Ron Todd, general secretary-elect of Britain's biggest union, the Transport and General Workers, yesterday made the strongest pledge so far to fight any softening of the Trades Union Congress's policy of defying the Government's labour laws.

He disclosed that enough money had been seized from the union to pay its £200,000 fine for contempt of court during the recent Austin Rover strike.

Firecracker to have second RAF chance

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE MINISTRY of Defence has privately indicated to Hunting Firecracker Aircraft that it will be allowed after all to submit a "best and final" offer in the RAF's trainer aircraft contest, along with British Aerospace and Short Brothers of Belfast.

This emerged yesterday after representations by some MPs to the Ministry on behalf of Hunting Firecracker Aircraft, a joint UK company, whose project had originally been eliminated by the Ministry in a statement to the House of Commons on Tuesday night.

The Ministry is expected soon to send to British Aerospace – which is sponsoring the Swiss Pilatus PC-9 Tucano – and Short Brothers – which is sponsoring the Brazilian Embraer Tucano – a detailed questionnaire, seeking to discover how they can improve their submissions for the RAF contest. There would be initial orders for 130 of the winning aircraft, worth about £200m, to replace the Jet Provost.

It is now presumed that, contrary to the Commons statement, Hunting Firecracker can also respond to the Ministry's questionnaire if it wishes. The company will decide its position soon.

● Short Brothers has had its best year yet for civil aircraft sales, with orders worth more than £65m.

Sir Philip Foreman, the chairman, said the order book for the company's 360 turboprop stood at more than 100 aircraft (including options), with about 54 aircraft in service with 21 operators, including many overseas.

BT told to guarantee customer privacy

By Raymond Snoddy

THE OFFICE of Telecommunications (Oftel), the statutory regulatory authority, yesterday issued a stern warning to British Telecom that it must guarantee the privacy and confidentiality of customer information.

Professor Bryan Carsberg, Oftel director general, made clear he was not happy with the proposed code of practice suggested by BT.

Oftel is concerned about the possibility of unfair competition which could result if an employee received an order for new telephone lines and used the information to try to sell other forms of equipment.

"I am very much concerned that the privacy and confidentiality of customer information is safeguarded and I am looking for guarantees from British Telecom that will ensure this," Prof Carsberg said.

He explained that the principle behind his approach was that BT should not be able to use its position as operator of the public telephone system to gain an advantage over its competitors.

BT's licence provides for restrictions on disclosure from one BT employee to another, but Oftel is concerned that BT should not have an unfair advantage from use of information by an employee which does not involve disclosure.

Prof Carsberg said if it was not possible to reach agreement with BT he would consider using his statutory powers to obtain a set of adequate safeguards on confidentiality.

One suggestion is that all BT employees might have to sign an undertaking on confidentiality. Oftel is, however, putting the responsibility on BT to come up with suitable safeguards.

Oftel is also looking at a magazine for BT sales staff to see whether remarks made about competitors' equipment amount to unfair competition.

Telephone Rentals is seeking an injunction for alleged libel over the remarks. Legal proceedings have been opened in the High Court against BT.

Sue Cameron on the appointment of an industrialist as state arms buyer

Defence post causes storm

THE APPOINTMENT of Mr Peter Levene as head of the Ministry of Defence Procurement Executive at a salary of £95,000 is causing no end of flutter in the Westminster and Whitehall dovecotes.

For one thing, Mr Levene's salary at the ministry will be almost double the pay of Sir Robert Armstrong, the head of the civil service. The fact that Mr Levene's Whitehall appointment is thought to involve a substantial cut in his present £140,000-a-year earnings is apparently cutting little ice with senior mandarins.

For another, Mr Levene is chairman of United Scientific Holdings, an arms company. What is more, he has been on the Ministry of Defence (MoD) payroll as an adviser to Mr Michael Heseltine, the Defence Secretary, for some time.

All of this has left Westminster wondering, particularly as Mr Levene was responsible for a report on the Royal Navy dockyards. The report recommended that work in the dockyards should be contracted out to the private sector on an agency basis.

Furthermore, Sir Frank Cooper is to take over from Mr Levene as head of United Scientific. Sir Frank is the former Permanent Secretary – top civil servant – at the Ministry of Defence. The question is being asked whether some kind of package deal has been arranged.

In September this year the House of Commons Treasury and Civil Service select committee reported on the delicate question of what happens when top mandarins, such as Sir Frank, retire and take up lucrative jobs with private sector companies, which sometimes have dealings with the ex-mandarins' former government departments.

The committee clearly felt there was cause for concern, although it could not find any evidence of misbehaviour. It did make a number of recommendations for tightening up the present rules, however.

Chief among them was that former senior civil servants who want to take up outside appointments within five years of leaving Whitehall must obtain government permission. This means that they could be stopped from taking up outside jobs for up to five years after retirement.

Under the present rules the potential period of delay is only two years. The time limit could be important.

Sir Frank, for example, left the MoD in autumn 1982. This means the Government could not stop him now going to United Scientific even if it wanted to do so. Were the delay period to be extended to five years, it could.

The select committee report also called for a code of conduct for top civil servants under which they would agree in writing to be banned for five years from "representing their new employer on specific and significant matters for which they were responsible in their official capacity."

Some would argue that these niceties pale into insignificance when set against the main purpose of Mr Levene's appointment, which is to get better value for money from the Ministry of Defence's £8bn-a-year equipment budget. Anecdotes about MoD procurement and stocking are endless.

One former MoD employee was heard to remark last night that you could always tell when you had arrived in the ministry's procurement section because the utilitarian furniture and shiny linoleum suddenly gave way to rosewood and wall-to-wall deep pile. There are also endless tales of MoD stores where huge "contingency" bags of sugar have congealed under the weight of tattered tarpaulin and the pigeon droppings that have come through gaping roofs.

In July this year the House of Commons Public Accounts Committee reported on MoD management of its £5bn worth of stocks. The report noted the "striking evidence" of MoD surplus stocking which was provided by a big fire at the Central Ordnance depot at Donnington in 1983.

The fire destroyed stocks with a book value of £169m – but the MoD decided that only £54m worth needed to be replaced.

The report, which was highly critical of the MoD, concluded that overstocking was almost certainly much higher than the ministry was prepared to accept. The committee said it was not convinced that the full costs of financing and holding stocks were given enough "emphasis and priority."

Today the MoD admits that the book value of its stocks is never updated to take account of depreciation, obsolescence or inflation. All MoD stores remain on the books at the price originally paid for them – no matter how long ago they may have been bought.

Earlier this month a report on public purchasing from Whitehall's own Management and Personnel Office said that savings of £500m a year could "readily" be made if civil servants across the board improved the efficiency of their purchasing.

This is exactly what Mr Michael Heseltine, the cost-conscious Defence Secretary, is hoping Mr Levene will do at the MoD. The 42-year-old Mr Levene, who has suddenly found himself at the centre of Civil Serviceand political controversy, is said to be a quiet, thoroughly unassuming man.

"He's the type of person you wouldn't notice if he came along to, say, a drinks party," commented one former defence industry man. "But," he added, "if you meet him round a negotiating table, he's one hell of a sharp operator."

Court allows Rumasa litigation to proceed

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

AN ATTEMPT to bar litigation in England arising from the expropriation in February last year of the Spanish Rumasa group by the Spanish Government has failed in the High Court.

Mr Justice Nourse rejected an attempt by Sr José Maria Ruiz-Mateos, the founder and former head of Rumasa, to raise a defence that two English actions against him were an attempt to enforce foreign expropriatory laws which ought not to be recognised or enforced in England.

Sr Ruiz-Mateos is contesting two big actions in England by the new state management of the group. In the first, Rumasa and two of the group's banks – Banco de Jerez and Banco del Norte – are claiming ownership of Multinvest (UK), an English company alleged to have been set up, either as an undisclosed subsidiary of Rumasa, or for Sr Ruiz-Mateos for his own benefit.

In the second case, Williams and Humbert, a Rumasa subsidiary, challenges the validity of an arrangement under which the British trade marks for Dry Sack sherry were transferred from it to a Channel Island company, W. & H. Trade Marks (Jersey), controlled by Sr Ruiz-Mateos and his four brothers and sister.

The Spanish laws at issue were the Decree Law on February 1983, under which the Rumasa expropriation was carried out, and the so-called "new law" of June 1983, passed by the Spanish Government to ratify the decree.

Sr Ruiz-Mateos's challenge to the validity under Spanish law of the decree has been rejected by the Spanish Constitutional Court. A similar challenge to the ratifying law has yet to be heard.

Mr Justice Nourse said that Sr Ruiz-Mateos's argument was that as Rumasa, the banks and Williams and Humbert were either directly or indirectly owned by the Spanish state, the actions they had brought were indirect attempts by Spain to enforce the two laws in England.

The Rumasa companies wanted that defence disallowed, partly to save the time and expense of an investigation of Spanish law at the trial, and because they were unwilling for the English court to become the forum for discussion of questions of Spanish domestic policy.

The judge said that although the motive behind the two laws might have been to swell the Spanish Treasury, the same could not be said of the actions, even though they might have that effect. The Rumasa companies were asserting rights to recover their own assets which had arisen before the two laws came into effect.

Neither action was capable of being a direct or indirect einforcement of either law.

Tight rein on state industries proposed

THE GOVERNMENT yesterday announced proposals for tightening its control over nationalised industries and for tidying up the sprawling framework under which they work.

A consultative document circulated to all state industry chairmen proposes that the Government should have the power to turn parts of state corporations into companies subject to existing legislation.

It also suggests that contracts for board members should allow for instant dismissel, that there should be greater consistency in accounts and audits and that financial targets should be more rigidly enforced.

□ MR SAMUEL BRITTAN, principal economic commentator and assistant editor of the Financial Times, is to have an honorary Doctor of Letters (D. Litt) in the Faculty of Economic and Social Studies conferred upon him by Heriot-Watt University, Edinburgh.

The degree, to be conferred in July 1985, is "in recognition of his authority as an economic journalist and of the influence his writings have had on public policy."

□ THE GOVERNMENT'S lead over Labour has fallen to four points from eight a month ago, according to a Mori opinion poll.

Against a background of growing pessimism about the economy and concern about unemployment, the poll shows support for the Tories down to 40 per cent from 43 per cent. Support for Labour has risen to 36 per cent from 35 per cent. The Liberal/Social Democratic Alliance polled 22 per cent.

□ MR NICHOLAS RIDLEY, the Transport Secretary, announced the postponement of further proceedingson the Civil Aviation Bill until a decision has been taken on whether to develop Stansted, north-east of London, as the capital's third international airport.

□ THE SWISS-based Rehau Group is to undertake a £1m expansion of its PVC profiles plant at Blaenau Ffestiniog, North Wales, in the next three years. The company, which claims to be Europe's largest quality plastics producer, is to build a 17,000 sq ft extension to provide additional manufacturing space.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Product design

Transports of less than delight

Christopher Lorenz reveals some of his pet hates

IT FIRST struck me in the lavatory of a sleek new British Rail High Speed Train, as it thundered at a full 125 miles-an-hour towards Bristol. Why are so many well-designed products spoiled by one niggling, maddening, obvious flaw? Whether it's in their performance or appearance, something always seems to let them down. "Why on earth didn't the designers spot that before I did?" one always swears under one's breath.

As well as trains, the trouble extends to cars and computers, teapots and toasters, watches and shoes, and almost every other type of product. Annoying at the best of times, it's the cause of many a let-down at Christmas, when a lustrous present so often turns out to be what the Americans call a "turkey."

Let-down is certainly the word for the HST. As countless male passengers discovered to their cost when the train first went into service in 1976, its lavatory seat was so steeply angled against the wall when lifted that it had a nasty habit of crashing down at an awkward moment. Despite a flood of complaint it took BR a good year to rectify the problem, by fitting a small catch to the wall to hold the *errant seat.*

On a small scale, too, the HST has had its problems. Several train buffs of my acquaintance — including some of this newspaper's senior staff —have bought Hornby's stylish model, only to find that its top speed is a disappointing 50 per cent slower than some of their ancient steam engines, and that its wheels fail to grip when pulling more than two coaches.

To anyone but a purist, it is futile for Hornby to protest that the model's speed is correctly to scale, and that those old steam locos are so wildly over-powered that they run at the equivalent of 200 mph or more. For the amateur enthusiast, and especially for the child, the HST should be what it is in real life—in regular British service, anyway—namely the fastest thing on two tracks.

As for the model's frequent lack of adhesion, it's no good being advised by a Hornby dealer to "put some extra weight inside it;" the product's designers should have done that in the first place. My solution has been to splash out £17 on a "power car" (engine) from Hornby's prime competitor, Lima.

Transport products of all shapes, sizes and prices seem to be particularly prone to maddening design details. The much-praised Audi 200 Turbo is undoubtedly an admirable motor car, but why on earth didn't its designers spare a thought for the poor company chairman sitting in the back?

They must either have targeted the £19,000 status symbol at a market of dwarfs (the gnomes of Zurich?), or have assumed that the average speed-conscious top executive has no feet. The point is that the car's rear-seat legroom is so poor that one has to stick one's *feet under the seat in front,* whose underside is so close to the floor that one's shoes and toes are squashed painfully flat.

It's just as bad with airliners. Eighteen months ago I spent a highly entertaining British Airways flight to Milan in a brand-new Boeing 757, watching a stream of people get stuck in the lavatory, unable to find the door latch for lack of light. The trouble was a perfect piece of *Catch-22: that the light* came on only when you pushed the latch across and you couldn't do that because you couldn't see it.

One of the unfortunates was the proverbial old lady, of the well-known ditty. She wasn't quite stuck there until Saturday but her stay was certainly long enough for her to demolish the panelling below the basin in her frantic struggles to get out. BA was rather quicker than British Rail in correcting the problem, with a permanently burning light.

On the other hand, I am one of the many who think BA has landed itself with a permanent design flaw by accepting the controversial new livery designed for it by an American consultancy, Landor. It may be unfair to argue, in the words of one British design luminary, that the design is "more in keeping with a packet of cigarettes," but it is certainly appropriate to see it—along with another critic—as "an American version of British good taste."

Put more bluntly, it's cluttered, fussy and old fashioned, redolent of flower-patterned carpets and traditional Wedgwood china. It may succeed in its purpose of attracting more foreign tourists to "fly the flag" in search of stereotyped British cosiness, but it totally ignores the psychology of today's full-fare-paying British executive. He or she is much more likely to go for the clean, modern look favoured by the likes of Alitalia and SAS—both of them also Landor clients, by the way.

Still on the move (and even on the run), one can hardly get through a single day without irritation at that otherwise masterly piece of modern design, the Walkman personal stereo (or one of its many copies). Why, oh why, couldn't the sound have been made really personal, rather than seeping out from the back of the earphones in a thin, tinny beat for everyone around to hear and curse?

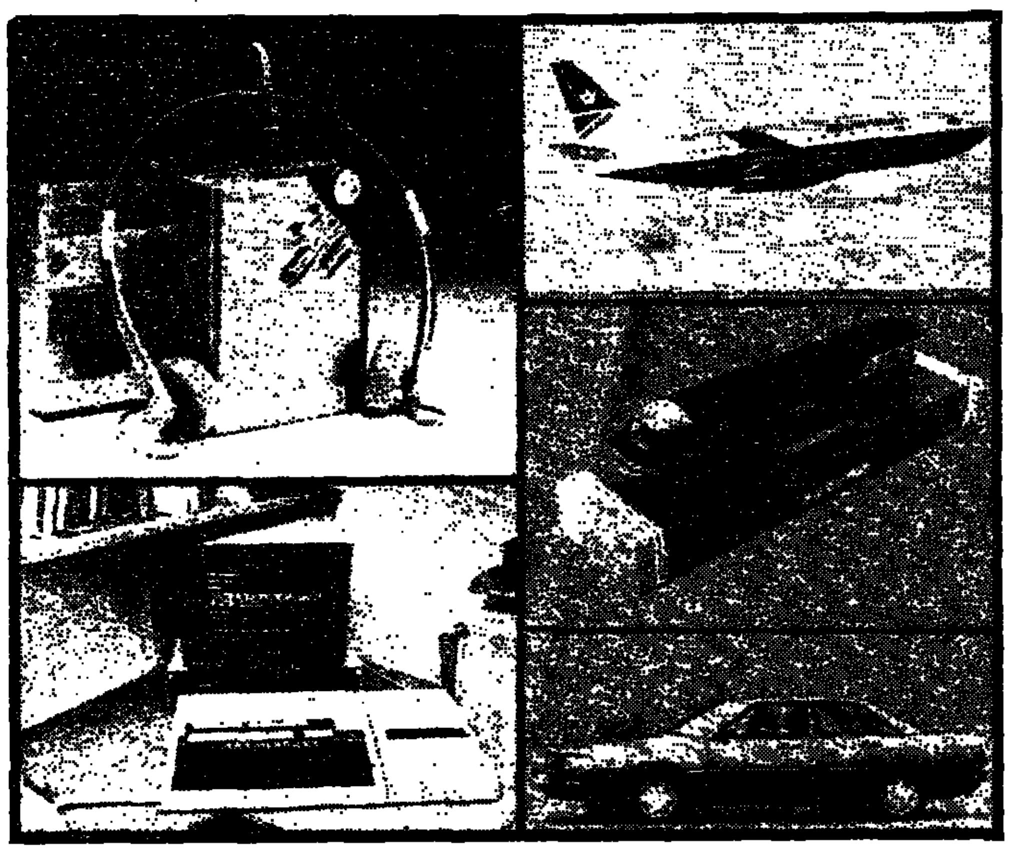
What with all the electronic wizardry around these days, everyone has his or her pet complaint about some aspect of its design. My own ire is directed at my otherwise excellent Acorn BBC home computer, whose chunky-sized "second processor" (which turns it into a business micro) can *only* fit on its right-hand side.

Like many people with a micro, my house is rather short on space, and it would have been *just dandy if the extra* processor had fitted on the left, or even behind the main keyboard. But no, the shortness of the cord between them (which allows instant interchange of data) means it can only go on the right. As a result the entire room has had to be turned upside down, and my wife still complains at the loss of space for her desk. An Acorn official warns against any attempt to use a longer cord. Talk about machines ruling humans, rather than vice versa!

This list could go on for ever. There are teapots that drip, or whose lids fall into the sugar bowl because someone forgot to provide a lip. There's the toaster whose elegant plastic housing tends to melt when you switch the machine on. There's the stylish black watch whose colour rubs off. There's the comfortable pair of Nike running shoes with what looks like a piece of fake fishnet underwear stretched across the toe for all to see.

And so on, etcetera. One can only hope that you are among the lucky few to avoid finding a turkey under the Christmas tree this year, cunningly disguised as a lustrous present.

Additional research by William Lorenz (aged 9).



Designed to please, yet annoying enough to drive you up the wall (clockwise from top left): noisy personal stereos from Sony and others; the controversial new British Airways livery; the slowish "High Speed Train" from Hornby Hobbies; Audi's turbo saloon for miniature executives; and inflexible peripherals for Acorn's BBC microcomputer

J. Marr

Why a fishing company charted a fresh course

FARNELLA has been having a busy time of it lately. The lady has just spent several months cruising up the U.S. West Coast sonar-mapping the seafloor for likely mineral deposits. She's now in the channel working on the electric power cables linking France with the UK. Next year she will be in the sun bouncing her electronic pulses off the floor of the Gulf of Mexico.

For a vessel that four years ago was hauling up cod from the freezing Arctic it is a pleasant change carrying electronic equipment in the relative warmth. In a deal signed this week between the Institute of Oceanographic Sciences and the U.S. Geological Survey, Farnella will spend a further six years sonar mapping in the Pacific and around the Americas.

The shift in lifestyle for the former 1,200-tonne stern trawler reflects one of the most unusual fleet transformations undertaken by a UK ship owner.

J. Marr of Hull was once the largest privately-owned fishing company in Europe, operating 40 fishing boats in the early 1970s. Today, as *Europe's biggest operator* and user of research vessels, it runs 11 scientific boats, most of them converted freezer trawlers.

Such a fleet conversion has fallen far short of a metamorphosis in Marr's business. For decades a vertically integrated fishing company, from catching to processing and *selling* (and once owning its own fish and chip shops). Marr still generates the bulk of its turnover from fish. Out of its £50m business last year, scientific vessels accounted for just £7m while frozen food and fish trading made up £23m.

But in a period of traumatic dislocation and then almost total collapse of the UK's deep sea fishing industry, Marr has been one of the few companies to spot other openings through which to sail its vessels.

The UK had, in the early 1970s, more than 500 deep sea fishing boats over *80 ft in* length but that number has now shrunk to around 40. Scores of fishing companies disappeared and the almost *defunct fish docks at Hull*—currently under threat of total closure—is one of the many urban scars left on the British coastline in the wake of *such* dramatic shrinkage.

Marr still has 17 vessels, including six trawlers. Of its converted vessels some, like the Pacific Horizon and the Seisella, have very sophis*ticated* equipment *for* seismic study work including air cannons powered by diesel electric compressors firing explosive signals directly into *the* earth's core. The compressors are housed in the fish hold and some vessels now have a helicopter pad.

Others, like the Farnella, are multi-role oceanographic vessels, less sophisticated and which could eventually return to sea fishing.

Marr is not the only fishing company to go down this road. *North* Star in Aberdeen moved into standby vessels as did Lowestoft's Colne Fishing but Marr says no one followed it into a science-based fleet.

"As one door closed, another opened," says Alan Marr, company chairman and member of the family that has run it *since the turn of* the century.

The company actually began chartering ships in the mid-70s to the navy *for* mine-sweeping and has *continued* along that trail since, helped initially by the then booming North Sea oil industry's requirement for assistance *boats.*

Jim Hynd, the company's charter manager, thinks a big future lies under the sea, particularly in mineral surveying. *"There's only one* area that has still to be exploited fully and that's the ocean. I think more and more eyes are looking at it."

That's good and *bad news* for Marr. Many companies worldwide are *now* offering research vessel capacity and the competition is tough. Bidding and pricing for contracts has become a nerve-tingling job. Hynd says he will fly anywhere at any time if he thinks there is a contract worth pursuing.

Apart from that Marr has still to manage its fish-related businesses. Some management changes have been made in the frozen foods operation to help improve its *performance.* The company had to shoulder some painful debt write-offs in its fish trading with Nigeria though this business is profitable *overall.*

Fishing itself is not making a profit and Marr says there are questionmarks over the future of distant water fishing. *In that sense life* changes little. There is never much rest for those people who make their living from the sea.

Nick Garnett

Business courses

Sales management for bankers, London. January 21-25. Fee: £475 plus VAT. Details from D. C. Gardner and Company, 5/6 Bartholomew Place, London EC1A 7HH. Tel: 01-606 7644.

Senior executive programme, London. February 10-March 22. Fee: £5,100 (residential). Details from Sara Banister, Marketing Information Officer, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Tel: 01-262 5050. Telex: 27461 (ansaback LBSKO XG).

Possible futures: inputs to scenario planning, Uxbridge. January 14-15. Fee: £265. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895-56461.

Strategic management workshop, Henley. February 11-12. Fee: £295 plus VAT. Details from the Short Course Secretary, Henley—The Management College, Greenlands, Henley-on-Thames, Oxon RG9 3AU. Tel: 049166 454. Telex: 849026 HENLEY G.

International company lawyers' conference, Amsterdam. February 20-22. Fee: Non-members BFr 56,000; Members (AMA/I) BFr 51,000. Details from Management Centre Europe, rue Caroly 15, *B-1040* Brussels. Tel: 32/2/516.19.11. Telex: 21.917.

FINANCIAL TIMES SURVEY

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YUGOSLAVIA

TRADE AND INDUSTRY

Belgrade seeks a significant increase in industrial production and exports to help reduce the country's debt. Yugoslav companies are being urged to work more closely with their Western counterparts

Austerity and optimism

By David Buchan

IN THE matter of Yugoslavia's external finances you can only be an optimist by taking the long view. This is what the government of Prime Minister Milka Planinc has done.

It calculates that by 1990 the country's debt could be brought down from $19.3bn to $16bn, and that the share of foreign exchange earnings which has to be spent each year servicing that debt can be lowered from a painful 45 per cent to a manageable 25 per cent.

This is why Belgrade is asking its Western governments and bank creditors to take a longer perspective, too, and to grant it debt relief until at least the end of 1988.

In the matter of domestic politics, six years ahead is a very long time, and the realists in the Planinc government take a much shorter view. This view is that the demand-squeezing policies of the past few years must be adjusted to give some improvement in living standards.

Yugoslavs, even those who put aside substantial sums in the high-rolling 1970s, have been hit hard by the "stagflationary" combination since 1980 of successive real wage cuts and price rises gyrating between 20 and 60 per cent a year.

The political consequences of continued austerity are not easy to judge in a country where talk seldom corresponds to reality. But protest strikes in factories—usually short and sudden in the Yugoslav style—have increased, and grass roots grumbling is reaching the federal government through the republics.

Federal politicians are clearly feeling the heat, and to avoid a roasting in the Federal Parliament some of them, like Mr Vlado Klemencic, the Finance Minister, and Mr Radovan Makic, the National Bank's governor, have had to turn on the International Monetary Fund as a scapegoat.

Behaviour

In October both men were saying in Parliament that they would no longer accept "dictated" IMF terms or send any more "50-page" letters of intent to the Fund. They were complaining of the Fund's legalistic behaviour; for instance, IMF officials apparently took Belgrade seriously to task for failing over its May Day celebrations, to publish price liberalisation measures.

The IMF seems indeed to have taken a somewhat tougher approach this year; it would be surprising if it did not, given the widespread criticism by foreign creditors that it was too lax in its earlier 1981-83 standby programme for Yugoslavia.

At all events, it now seems likely that Yugoslavia will extend its current April 1984-March 1985 standby arrangement with the IMF for a further year, and that after March 1986 it will lsubmit itself to a diluted form of IMF supervision, termed "enhanced monitoring" and already practised in the case of Mexico.

Both Western government and bank creditors have insisted on this as the price for the longer approach to debt relief which the Yugoslavs want. The two sets of creditors, though, differ in what they will give Belgrade.

The commercial banks, at their December meeting in Vienna, formally agreed to the principle of a four-year 1985-88 rescheduling, plus a 1985 first-quarter standstill on principal repayments while this is worked out. Western governments, pleading their less-flexible budgetary constraints, want to keep rescheduling to an annual timetable.

Thus Belgrade has not yet been able to cut its unbilical cord to the IMF. But it seems determined that any new IMF programme will have to reflect its changed strategy.

According to a senior National Bank official: "We need to go from a policy of improving the balance of payments through decreases in domestic demand and consumption, to further improvement in the balance of payments by a significant increase in industrial production and exports, and *some* increase in domestic demand."

What this more ambitious policy means is that GNP should grow on average at 4.2 per cent and keep ahead of domestic consumption growth of 3.6 per cent until the end of the decade. In fact, the government's targets for 1985 — of 3 per cent GNP growth and 4 per cent industrial production — do not quite reach this sought-for average, but they are above the more modest goals set for 1981-84.

If the go-for-growth strategy comes off, then, successively, short-term debt can be reduced, reserves boosted (beyond the present cover of two months' imports), medium- and long-term debt pruned and eventually the debt service ratio will come down.

Some Yugoslav economists believe the government may be setting itself too hard a target —to please the creditors abroad —in trying to knock $3bn, or about a sixth, off the debt. They argue that the money would be better spent in importing more capital equipment to make up for lost time in modernising Yugoslavia's industry.

Possibly. But there are more immediate obstacles to the new strategy. The first is whether the improvement in industrial production, which rose 5 per cent (above Government expectations) in January-September over the same period of 1983, can be sustained.

Extended commodity credit by Western governments last year for the import of raw materials helped this revival. But stocks of finished retail goods have been rising this year, possibly a sign of consumer resistance to rising prices, and this suggests an imminent moderation in the rise in industrial output.

The second question mark hangs, as always in Yugoslavia, over the inflation rate. This time last year the government panicked and froze prices (and the attendant instruments of exchange and interest rates).

This proved a mistake, if only as Prof Alexander Bajt of Ljubljana says, it merely fuelled inflationary expectations when the freeze started to thaw. This started in May, at the IMF's behest.

With only energy, transport and telephone prices remaining under control, inflation is expected to accelerate, perhaps to an annual pace of 70 per cent. In the first half of next year. In the first nine months of this year, retail prices rose at an annual rate of 40 per cent.

The IMF view, to which the government now subscribes with some nervous reluctance, is that current inflation is a symptom of past government interference and present inefficiencies and monopolies in the protected and fragmented Yugoslav market. It will subside as the root causes abate and distortions in the market are ironed out.

Certainly the hyper-inflation, forecast by some Western diplomats in Belgrade who were wagering on the likelihood of 75 per cent inflation this year, has not yet occurred.

The government argues that after four years of decline in real wages, excess demand has now been eliminated, savings are lower, and the pressure will be on producers to sell by keeping their prices stable.

Yugoslavia has committed itself (under the current IMF programme) to real interest rates by next April. Specifically, it has undertaken to make the rate on three-month personal deposits one per cent above the rate of increase in producer prices.

This certainly poses adjustment problems in a country used to cheap, sometimes almost giveaway, credit. But positive interest rates, above the inflation level, should reduce the incentive for Yugoslavs to buy goods or foreign exchange as a better store of value than putting their dinars in the bank.

Transition

Any generalised attempt to boost domestic consumption is likely to worsen inflation. For the moment, however, the transition to an era of higher growth and economic activity is uneven. The first nine months of this year saw increases in total exports (4.2 per cent), industrial output (5 per cent), but bigger than anticipated falls in investment (10 per cent), domestic consumption (3 per cent) and real wages (7 per cent).

Clearly this trend of producing more than was being consumed at home improved the external financial balance, particularly since exports to developed Western countries rose 23 per cent by value in the first nine months of 1984 while imports from the same region increased only 1 per cent.

This more than offset the setback in trade with developing countries; payment problems, particularly in Iran, Iraq and Libya, cut Yugoslav exports to this region by 17 per cent, while imports from developing countries (mainly oil) rose by 35.8 per cent. By contrast, trade with Comecon, much of it in barter, showed less change.

The upshot, in convertible currency transactions, was a decrease in the visible trade deficit from $1.18bn in January-September 1983 to $859m in the first nine months of this year and an increase in the invisible surplus (including Yugoslav remittances from Western Europe) from $127bn to $1.56bn —to produce a rise in the current account surplus from $157m (Jan-Sept 1983) to $704m (Jan-Sept 1984).

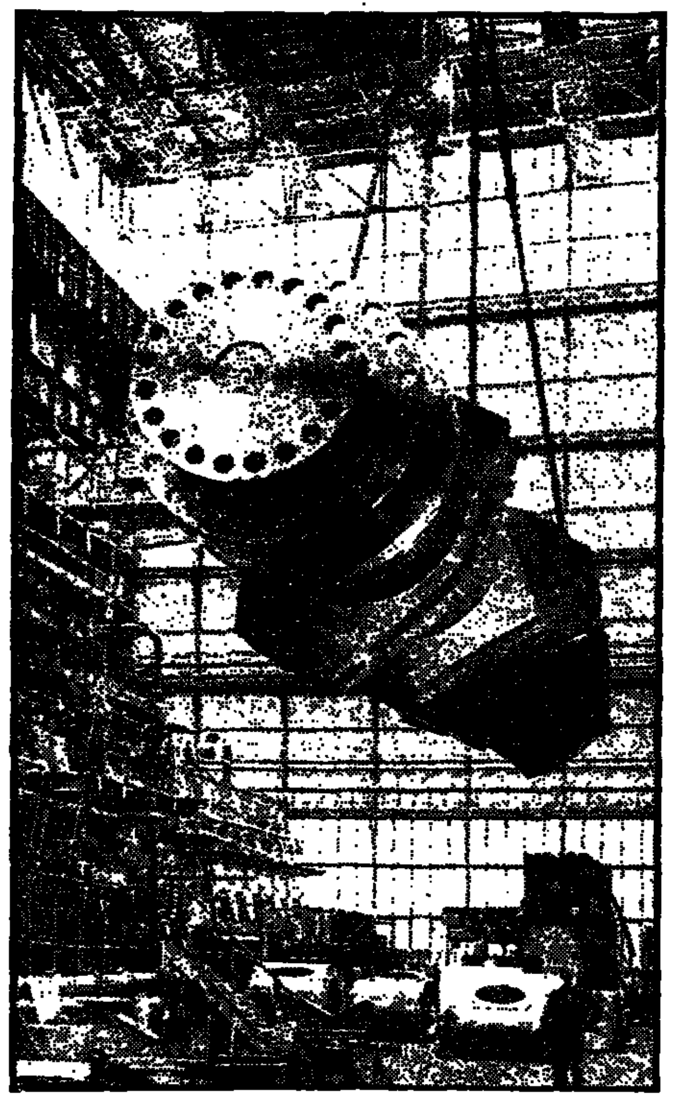
Demand for Yugoslavia's heavy industrial goods presumably will pick up as the Third World's financial problems ease. But to ensure this, and the continuance of this year's success of Yugoslav consumer and engineering wares in Western markets, the govrnment wants to bring Yugoslav companies into closer association with their Western counterparts, and so improve their technological level.

Foreign investment, which must be in the form of joint ventures, has tailed off in recent years. New joint ventures averaged 15 a year up to the passage of the 1978 joint venture law: since then they have numbered only ten or 11 a year, making up only 0.6 per cent of total investment in 1978-84.

There has been the same slowdown in production co-operation agreements (now averaging 30 a year) and technology transfer licences (averaging 20 a year).

The more restrictive portions of the 1978 law have now been repealed in new legislation passed by Parliament last month. Some aspects of the new law, particularly permission for majority foreign ownership, have irked the more doctrinaire Marxists in Yugoslavia.

At the same time, a stampede of would-be investors into Yugoslavia is unlikely to follow the legal changes. But at least the Government will now have the grim satisfaction of knowing that if foreign investors still hold back, it will be less because of administrative obstacles than the general economic climate.



Crankshaft for a ship's diesel engine at the 3rd May Shipyard, Rijeka, the country's largest marine shipyard.

Hard currency debt projections

($bn)	1984	1985	1986	1987	1988	1989	1990
Debt (end-year)	19.3	18.60	17.80	17.10	16.80	16.40	16.00
Interest paid	1.9	2.05	2.00	1.87	1.96	1.90	1.76
Principal repaid	3.2	3.45	3.50	2.40	2.50	3.00	3.00
Foreign exchange reserves (increase)	0.6	0.30	0.30	0.30	0.47	0.22	0.24

Source: National Bank

Internal economic trends

(% change January-September 1984 compared to January-September 1983)

Industrial production	+5.0
Investment (nominal)	+41.0
Investment (real)	−10.0
Retail prices	+56.7
Producer prices	+58.2
Cost of living (including rents and services)	+52.3
Money supply (M1)	+36.1

Yugoslavia Trade and Industry 2

The economy and industry are hungry for foreign exchange. **Aleksandar Lebl** reports on three different sectors which earn hard currency

Earnings set to rise

Tourism

MANY SIGNS support the view of most experts that this year is the turning point for Yugoslav tourism, meaning first of all its foreign exchange earnings. After two years of falling *earnings since the 1981 record* year, they are on the rise again.

Estimates are that tourism in 1986 will earn some $1.15bn per cent more than last year and that foreign tourists will spend a total of 40.5 nights in the country, compared to 35.4 last year.

In addition to Yugoslavia's natural and geographical advantages, it has also become attractive for its prices, which are highly competitive with other Mediterranean countries. Almost nowhere in Europe can one spend holidays with as little money as in this country.

Supplies

It is also one of the safest places as regards crime, not to *speak of terrorism, a factor* whose importance should not be overlooked.

There were many shortcomings in 1982 and 1983, such as shortages of esential supplies like coffee, chocolate and washing powder. There were also queues for milk or meat, and all that has had a negative effect on foreign tourism since bad news of this kind spreads quickly.

This year has seen a considerable improvement. Shortages *are the exception rather than* the rule and the main tourist centres have been well supplied, soemtiems at the expense of othr rgions.

The country has benefited from the publicity it got from the Sarajevo Olympic Games last February, and positive effects are felt *especially* now with an increase in the number of foreign visitors who will spend their winter holidays in Yugoslavia's mountains, around *Sarajevo and elsewhere.*

If Yugoslavia becomes an established winter sports country that will go far towards the tourist authorities realising a longstanding ambition, for tourism to extend inland.

For Yugoslavia's tourism potential earnings of $1.15bn is *too little. Other European* countries with fewer natural advantages earn four or six times more.

That amount is also too little for Yugoslavia's thirst for foreign exchange. According to official plans, earnings should double in three to four years, and next year foreign exchange earnings should go up by some 20 per cent, to $1.35bn, as in 1981, with 42m nights spent by foreign tourists.

One way of increasing earnings is to supply tourist resorts with sufficient consumer goods of top quality which foreign visitors would buy, such as textiles, shoes, leatherware, fine craftwork and so on.

Selling in such a way should be more profitable than direct exports, except that manufacturers still prefer exporting at lower prices and in return for foreign exchange than selling for dinars at higher prices. It is up to the government to devise mechanisms that would make it worthwhile to sell to foreigners in Yugoslavia.

Faithful

Among foreign tourists in Yugoslavia the British are the fourth largest group, after the West Germans, Italians and Austrians.

In the first nine months of this year there were 404,485 British guests who spent 3.2m nights, 129 per cent *more than in the same* months last year. The indications are that those figures will again go up next year.

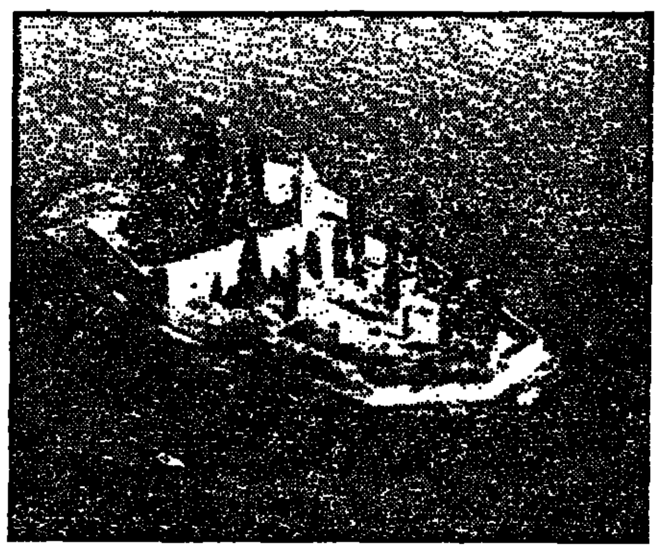
Many Britons visit in the spring and autumn when the weather is fine and prices are even lower than in full season. They have their preferred resorts and hotels, to which they remain faithful for many years.

Such a place is Bled in Slovenia, a small town along the *shores of an Alpine lake with* a small island in the middle, and the very old but thoroughly modernised Hotel Toplice.

Every year the Yugotours travel agency which brings the largest number of British tourists to Yugoslavia, polls its clients as to which hotel they liked best. For many years it has been the Toplice Hotel at Bled. which has won numerous international awards. British diplomats seem to go nowhere else, that possibly being a remnant from pre-war days, when Yugoslavia's royalty moved to Bled for the summer and the diplomatic corps and local bureaucrats followed.

The number of Yugoslavs going on holiday as tourists in the country has been stagnating owing to the fall in real wages, and the number of nights they have stayed away from home has been reduced. They also do not travel abroad that much, because their currency is weak and prices abroad too high. Exceptions are Greece and, more recently, Turkey, which has just been discovered by Yugoslav shoppers.

That is likely to bring an end to the levy of travel tax in the form of a one-year deposit for going abroad, introduced two years ago as a temporary measure. It was modified several times and now *fewer* than 2 per cent of those corssing the border pay it. It has been expected that after it expires at the end of this year *it will not be reinstated.*



One of two tiny islands beside the town of Perast, opposite the Strait of Verige. Perast, mentioned in the Middle Ages, was an important maritime centre in the 17th and 18th centuries

Legislation change eases the rules

Joint ventures and foreign investment

A FEW MONTHS ago, a university professor from Bosnia, Dr *Emil Vlajki, thundered* in a magazine:

"Although all Marxists even so far have been gravely facing the obvious capitalistic development of our society: dollar credits-debts, domination of capitalist technology via licences, spreading of private *practice* in all spheres of life, insisting on 'objective market laws,' organisation of work like in primitive capitalism—they have nevertheless continued *believing in our basically* untouched socialist development, because foreign capital could not exceed the 49 per cent limit and the foreign partners *have only had an advisory* role.

"When that limit is abolished as well, the process of our country going capitalist will be institutionally rounded off."

In spite of Prof Vlajki and many like-minded "dogmatists" in Yugoslavia, the federal government proposed, and the parliament on November 27 approved, far-reaching changes in the joint venture legislation after years of haggling about it.

The new legislation goes a long way towards liberalising the rules on foreign investments in joint ventures with Yugoslav companies. It abolishes the 49 per cent upper limit for foreign equity. It also sets no limit for the profit rate.

Joint ventures now are allowed in almost all fields, with the exceptions of insurance, retail trade and social services (but allowed in the health-recreational sectors). Banking joint ventures are to be regulated in a separate federal law.

The joint venture may be run by a joint business board. The amended law leaves it to the contracting parties *to determine* the board's composition and powers.

Foreign investors in future will be able to set contractual standards for the use of energy, raw and production materials, and even manpower. The foreign partner need not pay various taxes and levies for purposes *unrelated to the joint* venture such as defence, depreciation above statutory requirements, and part of insurance premiums. It is guaranteed *that changes in legislation or* economic policy measures will not unfavourably affect the joint venture.

Partners in the joint venture may borrow money to finance its operation, provided this does not exceed equity.

The procedure for approval *of joint* venture contracts is now shortened and simplified. The domestic partner has to inform the Chamber of Economy of Yugoslavia of the intent to conclude the contract.

The federal agency in charge of energy and industry is the approving agency. It may ask for the opinion of federal and other institutions, which have 30 days to formulate it, and it has 60 days to decide on an *application.* There is a *right* to appeal to the federal government, whose decision is final.

An application will be rejected if the joint venture is considered contrary to the social plan or the established technological strategy of the country.

The government of Mrs Milka Planinc hopes that the changes will attract foreign capital of which there is considerable need in the country, without, of course, increasing external indebtedness. It also expects that new joint ventures will help Yugoslav exports, which has been its top priority.

In fact, in order for the profit of the foreign partner to be transferred, the joint venture —except in a few defined cases —has to earn foreign exchange by exporting goods and services. Thus he is motivated to help it selling abroad.

Lastly, the government sees joint ventures as a vehicle for the country obtaining latest technology, import of which has been reduced to dangerously low levels in the last few years, due to the shortage of foreign exchange.

Unit of the People's Army on exercise. The country's armed forces take 80 per cent of Yugoslav-produced arms and equipment

Substantial list of exports

Arms manufacture

HIDDEN IN the foreign trade statistics, Yugoslavia's trade in armaments and defence equipment is nonetheless substantial. Imports arms. Exports totalled to $1.7bn in 1982 and an estimated $2.4bn in 1983, and are between two and three times the value of imports.

The export list of the defence military's directorate of supply and procurement comprises hundreds of items, from submarines (Yugoslavia boasts of being one of only six countries in the world building them), patrol, landing and other craft, to jet trainers and fighter-bombers. It also exports army armaments and ammunition, signal, engineer and quartermaster's equipment, vehicles, protective tems and medical supplies.

In addition, Yugoslavia offers overhaul, maintenance and servicing of armament and equipment, engineering and licensing, as well as training of personnel. A large number of officers for armies, air forces and navies of friendly developing countries have been trained in Yugoslavia.

The armed forces rely primarily on domestic production (civilian and military factors are not separated but many have the so-called "*special purpose*" *production* plants) and the share of locally-produced arms and equipment they use is close to 80 per cent.

That is considered desirable *from the point of view of self-reliance* and necessary because of foreign exchange shortages. Yugoslavia imports highly-sophisticated weapons it cannot rationally manufacture *locally*, or for which it does not have the technology to produce, such as some ground-to-ground or ground-to-air rockets.

The preferred policy of the Yugoslav armed forces, however, has been to buy licences for the production of sophisticated weapons. They have been moderately successful. This is in spite of the reluctance of some countries, mainly Western, such as the U.S., and despite Yugoslav *guarantees* that they would not re-export arms produced under licence, nor pass on what was learned about another country's technology.

Among licences bought are those for Soviet T-72 tanks and Koni class frigates and French Gazelle helicopters, and recently the Arao factory started manufacturing Rolls-Royce jet engines under licence. Its director said that Yugoslavia has thus become the eleventh country in the world manufacturing such engines.

According to foreign military observers in Belgrade, Yugoslavia's armed forces have shown increasing mastery of modern imported arms, as shown by comparing this year's military exercises with previous ones. They believe, however, that financial problems will appear soon in connection with introducing very expensive armaments, like aircraft, for the import of which the country would have to spend large amounts of foreign exchange.

Even now, the Yugoslav armed forces are faced with increasingly tight budgets. In the five-year period 1976-80 it was planned to spend for defence 6.17 per cent of national income but only 5.39 per cent was actually spent. For 1981-85 5.80 per cent was originally planned but two years later that was revised to 5.20 per cent.

However, armed forces never got that much. Their share in 1981 was 5 per cent; in 1982 it was 4.5 per cent; in 1983 it slightly went up to 4.6 per cent but this year it will be less than 4.2 per cent. The plan for 1985 calls for 4.8 per cent. Yugoslavia seems to be the only European country reducing military expenditure in relative terms.

One result has been the fall in the living standard of armed forces personnel. Between 1978 and 1983 their salaries fell by 37.5 per cent in real terms and are now at the 1971 level. In other words, officers and other military fared the same as all employed Yugoslavs. That makes military careers less attractive to the young.

Another consequence has been the slowing down of *although*, according to Admiral Minister, considerable progress has been made nevertheless in introducing some new weapons and systems and increasing combat-readiness.

One way of coping with the financial problems will be to boost exports of arms and military construction works abroad in order to earn more foreign exchange. By end-1985 the value of imports, both registering high growth rates.

It may come as a surprise, but Yugoslavia is in favour of joint ventures also in the military industrial sector. Thus come increasingly competitive with thoshe of other exporters, mainly in the markets of developing countries.

Two companies in Serbia help to explain the climate in which industry operates

Battling to sell more abroad

Consumer goods

ALEKSANDAR LEBL

VRANJE is a small town in the south of Serbia, the centre of an underdeveloped agricultural region.

Life there, except during the two world wars, when it was occupied by Austrians, Germans and Bulgarians respectively, used to be slow and quiet. It is not any more. Vranje today is a busy industrial centre, boasting of some among the most successful Yugoslav companies, which have transformed the face of the town.

The best known and acclaimed for their success are two Vranje companies in the consumer goods sector, the Simpo furniture factory—Simpo is short for Sima Poga a war hero from the region—and the textile combine, PKV, both considered to be Yugoslavia's best in their respective fields.

To visit them helps to explain the workings of the Yugoslav economic system and economic policy and the present situation in which industry operates.

For although they are better organised and managed than the average Yugoslav company, and with higher productivity—both are large exporters and thus foreign exchange earners—Simpo and PKV are plagued with numerous problems. At times they consider themselves even, and not incurring losses.

successful in simply breaking

Simpo has modern production halls and office buildings covering 40,00 sq metres. Some 3,200 workers make furniture, upholstery, mattresses and furnishing materials. It has its own show and sales network in 32 Yugoslav towns and cities.

Some 65 per cent of Simpo's output is sold abroad, two-thirds into hard currency markets (half of the total is exported to developed Western countries). This year it plans to double exports from $21m last year to $40m. It uses 85 per cent of its capacity, far more than the Yugoslav average, and its furnishing materials factory works at 99.5 per cent of capacity. Labour productivity is on a par with most European levels.

Why does then Simpo have problems? One reason is that its output cannot fetch higher prices abroad because the factory cannot manufacture top-quality goods. That, in turn, is because its suppliers do not make the high quality raw, production and other materials which Simpo needs to improve quality.

Simpo has tried to solve this problem in two ways. It established its own raw material base and built its own plants for various production materials, becoming virtually self-sufficient.

The second solution, to import higher-quality goods, could be applied only to some extent because of the lack of foreign exchange. As in almost all other industries, Simpo may retain 45.9 per cent of what it earns through exports, and that is not enough to cover its needs for imports. Thus Simpo has joined the choir of companies demanding higher foreign exchange retention quotas.

It also has tried — and that applies equally to PKV — to obtain more foreign exchange through counter-trade agreements, where it may retain 100 per cent of foreign exchange.

Simpo and PKV have also "pooled" labour and resources with some foreign exchange earners who do not need all they earn and are ready to part with some of it.

Simpo does not feel the crunch which most other Yugoslav furniture manufacturers have started suffering as a result of government curbs on domestic demand: namely, that they cannot sell their output at prices the market will bear, and that their stocks are going up, as do losses. Stocks in Simpo are less than one month's production, although their estimate is that domestic demand has been reduced by 40 per cent.

PKV started production in 1965. It has been expanding all the time and from 1,200 workers at the beginning it now has 7,000, working in four shifts. The capacity used is 98 per cent in production processes from spinning, dyeing and weaving to finished knitwear and ready-to-wear clothing and thread. It imports Egyptian and Sudanese long-staple cotton, polyester from West Germany, dyes and chemicals from Germany and Switzerland. Most equipment is also imported.

PKV is a big exporter, 55 per cent of its output is sold abroad of which 70 per cent on hard currency markets, including the U.S., EEC, Scandinavian and many other countries. In spite of that, 45.9 per cent of the foreign exchange retention quota is not enough to satisfy their needs.

Thus PKV, in addition to countertrade and currency pooling, has taken credits extended to Yugoslavia by the Italian and Swiss governments, and also the world bank structional adjustment loan. (The Yugoslav textile industry has been the largest user of the $275m structural adjustment loan.)

Last June, PKV concluded a joint venture agreement with the Japanese company Kanematsu Gosho for a new spinning mill, to raise its total spinning capacity from 3,000 to 9,250 tonnes. The partner from Japan will invest $1.5m and hold 23 per cent of equity.

The same company has extended a $6m loan for expansion of the weaving mill and finishing plant. This will help PKV to change its production programme and quickly adapt to demand. It will increase the annual output of cloth from 12m to 24.5m square metres and start producing 150 cm-wide cloth for industrial ready-to-wear clothing instead of 90 cm now.

Such investments in expansion and modernisation are necesary if the Yugoslav textile industry (which is the largest employer with 380,000 workers or 16 per cent of the industrial workforce, and accounting for 11 per cent of industrial output) is to implement its ambitious plan of increasing exports from the present $1.1bn to $2bn within a few years. That, of course, also supposes that foreign markets will not be closed for Yugoslav textiles, as to some extent is the case now.

The whole consumer goods sector is likely in the future to play a much bigger role in the export drive. The share of those goods in aggregate exports in the January-September period of this year was 31 per cent, while exports of raw materials accounted for 52.5 per cent, which is considered unsatisfactory.

Not only furniture and textile industries, but also the food and beverages, white goods, electronics, automotive and other consumer goods industries are stepping up their efforts to sell abroad good-quality goods at competitive prices.

Making television sets at Banja Luka. The need to maintain quality and raise hard currency are two improtant considerations for Yugoslav exporters

Yugoslavia's external finances

(January-September 1984—$m)

	Total	Hard Currency
Inflows	12,334	9,616
Merchandise exports	7,092	4,646
Services	2,505	2,261
Private remittances	2,601	2,577
Interest	136	132
Outflows		
Merchandise imports	8,517	5,505
Services	909	829
Foreign currency withdrawals	1,314	1,214
Interest	1,305	1,264
Current account balance	+289	+704
Merchandise trade balance	−1,425	−859
Invisibles trade balance	1,714	1,563

Source: National Bank

Complex system breaks with past

Self-management

DAVID BUCHAN

NO FOREIGNER who goes to trade or invest in Yugoslavia can escape for long the forbidding subject of "self-management." This distinctively Yugoslav form of worker control is forbidding, because so many consider it important but so few can explain it with any clarity.

Here, briefly, are the basics of what it is and what it is designed to achieve.

Part of the reason why self-management has attracted so much appallingly abstruse jargon since it was given legal birth in 1950 is its pretensions. It is seen not simply as a nuts-and-bolts way of making managers accountable to shop-floor workers, but also as a new social order involving the progressive withering away of the state, as declared by Marx.

Or, as the late Edvard Kardelj, the most prominent and certainly the wordiest theoretician of self-management, put it: "It is the fulfilment of man's undying aspiration for liberty and freedom of creativity, for mastery over the objective laws of nature and society, for a better life." Ambitious indeed.

Two concrete facts may help an understanding of what has shaped self-management. One was the 1948 break with Stalin, and the immediate political need to repudiate Stalinism and replace it with an alternative which was derived from Marx and could not be construed as a retreat from socialism.

Tito later claimed that self-management was always designed to replace Soviet-style state capitalism, but according to Milovan Djilas, his erstwhile colleague and now prominent dissident, it emerged from a trash re-reading of Marx after 1948.

The other factor is simply the diversity of a country with eight republics and provinces, some 18 different ethnic groups, and living standards that range from those of Western Europe (in Slovenia) to the Middle East (in Kosovo).

Tight planning from the centre is next to impossible in such a balkanised country. Self-management allows workers to have autonomy on the factory floor, just as at higher levels the republics have much autonomy in running their affairs.

Measure

At the heart of self-management are so-called basic organisations of associated labour (osnovne organizacije udruzenog rada—OOURs). An OOUR is the smallest unit of workers whose production of goods or services can be measured. There are 30,000 of them.

They can stay independent—each is supposed to have its own bank account—or join forces with others to form work organisations (radne organizacije—ROs). ROs correspond to small eWstern-style companies, or just single factories.

A third level is the so-called complex organisation of associated labour (soizena organizacija udruzenog rada—SOUR), which might correspond in the eWstern sense to an integrated group of companies. For example, Iskra, the big Slovene electronics manufacturer, is a SOUR comprised of 30 RDs and 100 OOURs.

As part of the supposed witherin gaway of the state, the provision of services, as well as production of goods, is also "self-managed." This is done by representatives of goods producers and service providers meeting together in "self-managed communities of interest" (samoupravne interesne zajednice) to haggle directly over, say, the level of health care and costs. So the intermediation of the state, in the form of federation, republic or commune, is removed.

Basic organisations, the OOURs, are consulted in what passes for national economic planning in Yugoslavia, and they are also the grass roots in the country's political life.

The 30,000 OOURs elect delegates to the assemblies of the country's 550 communities, which in turn elect delegates to the assemblies of the eight republics and provinces, and these assemblies send delegates to the federal assembly in Belgrade.

These, then, are some of the main elements in self-management.

It is not easy, certainly not without treading on sensitive Yugoslav toes, to draw up a balance sheet on self-management. Officials at the Kardelj Self-management Centre in Ljubljana reject the common criticism that the system is more suited to Ancient Greece than present-day Yugoslavia and that it is incompatible with modern development of technology which requires some centralisation.

But the fact is that companies are very much prisoners of the wishes of their constituent OOURs, which may be by no means unanimous on major issues such as mergers, acquisitions, liquidations, product changes, export policy and so on.

As a result, Yugoslav companies tend to be particularly concentrated in one town, or at least one republic, relying on local political or ethnic loyalties to keep recalcitrant OOURs in line. Yugoslav enterprises may complain of the lack of joint ventures with foreign companies, but they are equally bad at joining hands among themselves inside the country.

Fragmentation of the national market helps to sustain Yugoslavia's chronically high inflation rate. So, probably, does self-management, though its defenders firmly deny the system is inflationary. There seems to be a natural tendency for "self-managing" workers to put their wages first they would not be human if they did not.

It is true that average wages in industry have declined in real terms for the past four years. This would indeed represent some worker restraint, were it not for the fact that company debts have risen by a far greater amount over the same period.

On the positive side, self-management does appear to have been a socially stabilising force during a difficult economic period since 1980. However much many Yugoslavs grumble about spending hours deciding things they do not want to be consulted about, self-management does blur the division between "them" and "us" and reduce the incentive to strike.

The strengths and policies of two widely differing regions in the federation are examined here

Affluent republic holds its links with Belgrade

IS SLOVENIA'S position in Yugoslavia akin to that of West Germany in the EEC? Yes, says *Mr Dusan Sinigoj, the Slovene Prime Minister*, without equivocation.

There are several factors which enable *this parallel* to be drawn. First, the rich and tidy Slovenes have an average income nearly twice the national average and some six times that of the poorest region, Kosovo. There is almost no unemployment (1.9 per cent); a sizeable number of "gastarbeiter" (80,000 in 1984) from other Yugoslav regions; and an export record far outstripping their relative size (with less than 10 per cent of the population they account for 20 per cent of exports).

Statistics aside, there is also the scrubbed and *kempt look to* Slovenia's towns and villages, which is more Teutonic than Slav and contrasts even with other parts of the country such as Croatia, which, too, was long under Hapsburg domination.

Second, like West Germany in the EEC but for different reasons, *Slovenia* is one of Yugoslavia's more federally-minded republics. This is partly because it stands aloof from the *historic Serb-Croat divide in* Yugoslav politics; and partly because it is somewhat more tolerant of, or less sensitive to, nationalist attitudes in other republics.

The Slovene press is relatively liberal, though in part of a wider crackdown on unorthodoxy, a journalist was recently prosecuted there for an article deemed disrespectful of the late Mr Brezhnev. "We want more *debate, not less, on political* issues," Mr Sinigoj says.

Despite their relative affluence and affinity to their northern Italian and Austrian neighbours, Slovenes feel definitely both Slav and Yugoslav and know *their future* prosperity depends very much on good governance in Belgrade.

There always seems to be a Slovene at the economic helm of the federation, whether Mr Zvone Dragan in the first Planinc administration or now Mr Vlado Klemencic, the *Finance Minister, in its second* administration.

Third, Slovenia, like the West Germans in the EEC, has a strong self-interest in the unity of the Yugoslav economy. This is not invariably evident. Slovenia complained long and loud when in 1982 a system of forced *pooling of convertible currency* export receipts was introduced so that the federation could meet its debt and energy bills. *Slovenia felt* that because it exported more than other republics, it should be allowed to keep more of the receipts.

Mr Sinigoj says he is still pressing Belgrade for enterprises to be left with more of their hard currency earnings at their own disposal; at present *after various federal and repub*lican levies, companies keep only 46 per cent of their total export earnings.

But having the most competitive industry in the federation, *Slovenia is naturally interested* in the widest market for its products and anything that promotes the unity of that market.

Up to 50 per cent of Yugoslavia's regional fund—which invests money from risher republics in the poorer ones—is now available to encourage joint ventures. Slovene companies, more than those from any other rich part of the country, have jumped at this opportunity, and, according to Mr Sinigoj, have invested $1.3bn in the past few years in the "less developed regions."

These Slovene joint ventures are, in descending order, with Macedonia, Montenegro, Bosnia-Hercegovina, and lastly Kosovo. "It is important for Slovenia, as the richest, to pull the others up," says the republic's Prime Minister but, equally, he admits that Yugoslavia's poor south *with its cheaper-labour and more* plentiful raw materials, often brings a better return than at home.

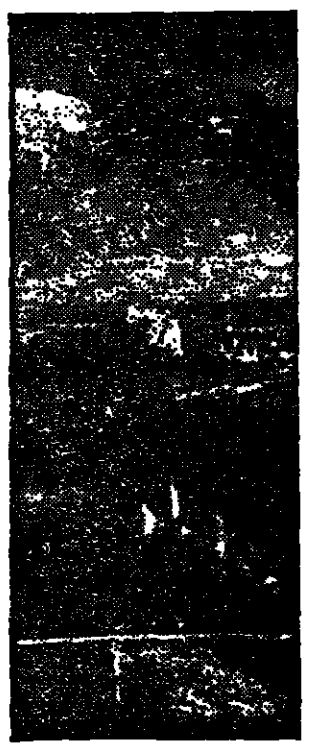
The Slovene economy is growing again, at about 2 per cent this year, Mr Sinigoj says, and the aim is to achieve 2.5 per cent in 1985. But the premier warns that it will be hard to reverse the recent decline in living standards and to hit the 1985 target of a 14 per cent increase in convertible currency exports (to $2.66bn) without at least a 3.5 per cent rise in the republic's industrial output.

There are also structural changes to be made. "Last year we had to liquidate some companies, and we will do so again where solidarity payments are not justified," Mr Sinigoj says.

Slovenia has its lame ducks too, among them the Gorenje company and the IMV car enterprise at Novo Mesto. But the gospel of financial self-reliance is easier to preach than put in practice in Yugoslavia.

Mr Sinigoj *also wants Slovenia* to build on its growing electronics base by acquainting more of its workforce and students with modern computer techniques. To this end, Slovenia has been pushing the Yugoslav federal government to lower import duty on foreign-made personal computers.

David Buchan



Above: Ljubljana, capital of Slovenia, and (below) lake and mountains at the resort of Bled, near the Austrian border

Centre seeks a place on map

IN ALL EUROPE, only the Barbican in London can compare with the new Ljubljana centre in providing the fullest facilities for both business and culture, claims Mrs Bozena Zakrajsek. She is the conference director of the Ljubljana centre, which attracted 370,000 visitors and 35,000 convention delegates last year.

Set *in the middle of Slovenia's capital city*, the centre has so far cost $40-$42m to build. Though still not quite finished it opened in 1981; it has a theatre, concert hall and conference rooms. At the moment the centre is used about 70 per cent for cultural events and 30 per cent for business activities.

Mrs Zakrajsek's aim is to put Ljubljana on the international convention map. "Our city is relatively unknown," she admits. "But Slovenia has a particular scientific interest and we have many professors here who are members of international medical and scientific associations. These in turn might consider holding their conventions here."

The centre is nearly fully booked for 1985-88, says the *conference director. But she* is looking further ahead, and is interested in attracting conventions of up to 2,000 people—the maximum which local hotels and the centre's plenary hall can handle.

PROFILE: ISKRA

A model for the rest of industry

THE SKYSCRAPER headquarters of Iskra, twinned with that of Ljubljanska Banka, dominates the capital town of Ljubljana. The electronics company, too, serves as a kind of a model for what the rest of Slovene industry would like to become: oriented towards exports and high technology.

Iskra is still smallish by international standards, ranking 16th among European electronics companies and 62nd in the world. But, at home it is a *big fish in a small pond. With* a workforce of 32,000 in 28 different installations, it is the country's second-largest exporter accounting for 9 per cent of Slovene exports and for nearly 20 per cent of all Yugoslav electronic exports.

Its importance has underlined last month when the International Finance Corporation (IFC), the World Bank's private-sector investment affiliate, chose Iskra as the vehicle for its first loan ($25m) to the Yugoslav electronics industry. The self-management system allows the IFC to consider Yugoslav industry "private."

Olympics

For a relatively young company, Iskra has spread its range of products quite widely. Its largest product line is tele*communications*: it supplied most of the television and telephone equipment for the Sarajevo Winter Olympics. Other product lines include optic fibre transmission lines, measuring equipment, computer hardware and software, integrated circuits, a number of *electro-mechanical components*, powered hand tools and household appliances.

About 30 per cent of roduc*tion is exported*, in roughly equal proportions to industrialised Western countries (mainly components and a few finished products); to Comecon (industrial automation systems and telecommunications in particular); and to developing countries (which are interested in most of the same Iskra products as Comecon).

The goal for this year, senior Iskra executives say, is $250m in exports. Only $160m of this *will be in the form* of convertible currency.

But Iskra officials note with satisfaction that while the country as a whole struggles with its foreign debt, Iskra has a convertible currency surplus in its trading, of probably $40m this year, and has kept its debts "within tolerable limits of 25-30 per cent of foreign exchange earnings."

However, executives are *distinctly ambivalent* about the fact that Iskra has sold more licences abroad than it has bought. Certainly, they are proud to have sold licences for hand tools, television sets, measuring instruments, even for some computer software and chip-making technology.

But "*we do not* consider a financially positive balance in licences to be positive in other ways," says one official, who points out that but for cash constraints Iskra would have bought more foreign technology.

Cash, of course, is not the only constraint on buying Western electronics these days; there are the new restrictions imposed by Nato countries and Japan on the sale of sensitive technology which might reach the Warsaw Pact. Here, Yugoslavia occupies a unique position, halfway politically, economically and *geographically* between the two blocs.

Iskra executives say they "build into our products Western components that sometimes figure on the Western restricted list, just as we also use components from Comecon countries." But "we strictly observe the end use certificates" preventing the retransfer of technology to third parties, they claim.

D. B.

Great contrast in levels of development

MONTENEGRO, the smallest Yugoslav constituent republic, with 3,812 sq km, or 5.4 per cent of the territory of Yugoslavia and with some 600,000 people out of 23m, has more than a fair share of the country's problems.

It is one of the least-developed regions taken as a whole, but some areas along its 200 km coastline count among the most developed in Yugoslavia with per capita income way above the national average.

In Montenegro, unlike in *Yugoslavia as a whole*, the north is poor and getting comparatively poorer, and the south richer, thanks to improved infrastructure and the resulting development of tourism.

Before the 1939-45 war, Montenegro had almost no industry. It had only one 8 km-long asphalted road, which connected the small port of Budva with the village of Milocer where the Queen had her summer residence. Now it has 3,200 km of modern roads whose construction was very costly owing to the difficult mountainous terrain.

A favourite Montenegrin saying is that when the Lord walked the Earth to distribute natural wealth, the sack in which he was carrying stones and rocks tore open when he came to Montenegro and all the contents spilled there.

When, a quarter-century ago, the Adriatic trunk road from the Italian to the Albanian border was constructed, it made the *Montenegrin coast accessible to* tourists. Numerous high-class hotels were built, and a very large number of private houses and villas, most with several rooms to let.

The value of previously almost worthless land skyrocketed. No windfall profits taxes were levied and poor owners of rocks became wealthy overnight. Others have been earning nicely by letting rooms, preferably with out registering their guests, by opening restaurants and other catering facilities, and playing the favourite game of tax evasion.

A catastrophic earthquake on April 15 1979, affecting the coast and the hinterland, temporarily *stopped* that development. A hundred people lost their lives and many were injured; damage was very heavy, with thousands of houses destroyed as well as many schools, hospitals, industrial facilities and historical monuments, among them the old parts of Kotor, Budva, Herceg Novi and Ulcinj.

Help poured in from all Yugoslav republics and from many foreign countries. Reconstruction was speedy, except in old towns where progress is slow.

Today, the stricken area has more than recovered. It has more apartments and houses, more hotels and public amenities, and more industry *than before the earthquake.* Housing in Monenegro now tops the Yugoslav list; apartments are larger and better equipped than in any other republic.

All this has provoked unflattering coments from some of the areas which have been helping Montenegro. They have felt increasingly that with their contributions indexed to inflation, what they have to pay for the reconstruction in Montenegro under an agreement reached five years ago is becoming too heavy a burden on their own economies under conditions of falling living standards for their people. Therefore they have been trying, with no success so far, to revise their obligations.

Foreign indebtedness of Montenegrins per head is 2.5 times the Yugoslav average. For reconstruction and for development purposes the Montenegrin economy has also borrowed abroad heavily. Now the time has come now to repay debts, it simply cannot do it on its own, particularly because the foreign exchange was not always used in Montenegro but elsewhere in the country.

That problem can be resolved only through all-Yugoslav financial solidarity, as it is impossible in many cases to establish who the actual beneficiaries of the foreign exchange borrowings were.

Another problem facing the republic is its somewhat chaotic development, especially in the coastal region. A master plan called Project South Adriatic was worked out with United Nations assistance. It provided for planned urban and regional development, set aside zones for future tourist facilities, and so on.

In many localities, however, people simply started bilding houses wherever it best suited them, often on public land. This was widespread and diffi*cult to stop, as among those con*travening laws were also local party bosses. Only recently have the Republican Government and party intervened, but too late for many prime sites.

Tiny Montenegro has developed some important industries, like the KAT — Aluminium Combine of Titograd. This Yugoslav giant produces 100,000 tonnes of aluminium, of which it exports one half. Its share in the economy of Montenegro is 12 per cent, and its earns 46 per *cent of the republic's foreign* exchange.

Like many Yugoslav companies, KAT faces the problem of not getting enough foreign exchange for its own needs. (Most industries can keep only 45.9 per cent of their foreign exchange earnings). It is also faced with an imminent shortage of high quality bauxite. Although Yugoslavia still has rich deposits of that ore, KAT has been considering importing some bauxite.

Other important industries are the Niksic ironworks, specialising in alloyed steels, and the well-known quality brewery of the same town. It has also developed agriculture, especially wine growing, with the help of the World Bank.

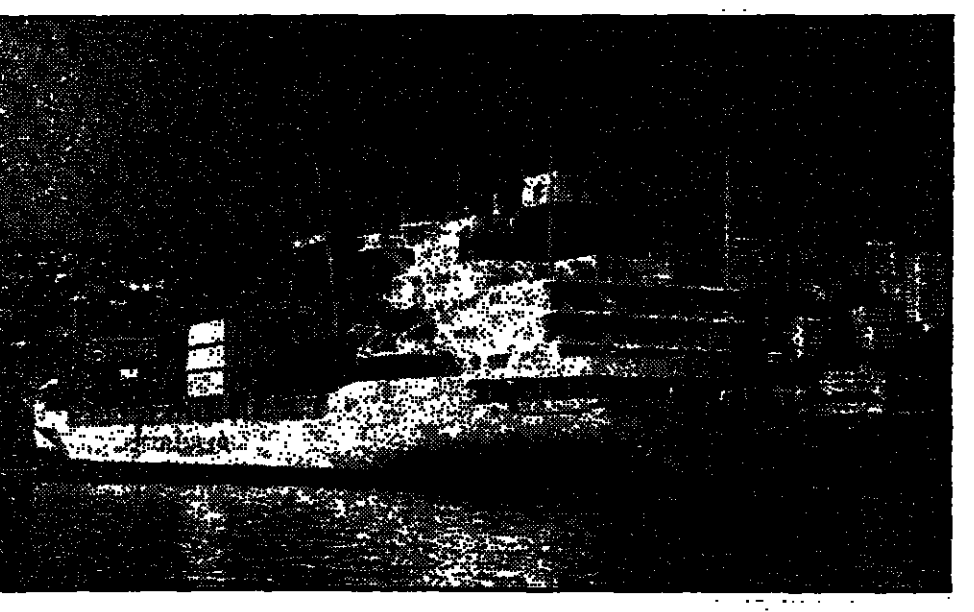
But its main push has been in tourism. The mild climate in this southern most Yugoslav coastal republic has attracted thousands of domestic and foreign visitors. Three airports —in Titograd, Tivat and Dubrovnik which is in Croatia —are only half an hour on so's drive from Moulenegro's main tourist resorts.

This year the Montenegrin hotels have been completely full for 140 days. Some 80 per cent of in total tourist accommodation is in hotels, with 10 per cent in camps and 5 per cent in private houses. This last figure is somewhat misleading, as many landlords do not register their visitors.

Montenegro's long sandy beaches are not yet developed, for lack of capital. Thus its tourist industry welcomes joint ventures, either with Yugoslav or foreign partners.

Several Yugoslav companies have concluded joint venture agreements, mainly in order to share in foreign exchange earnings of tourist facilities. The Montenegrin government has tried to sell the joint venture idea to the government of the West German province of Baden-Wuertemberg and contacts also have been established with international hotel chains such as Holiday Inn and Sheraton. But they are more ready to offer management than capital.

Aleksandar Lebl



Shipbuilding bolsters exports

SHIPBUILDING is one of the most *important industrial* branches in Yugoslavia, especially as it exports more than 90 per cent of its output. Marine shipyards build over 300,000 Gross Registered Tons of ships a year.

Last year, 304,000 GRT was built, and exports were worth 333m, or 3.4 per cent of total Yugoslav exports. Yugoslavia's share of world shipbuilding was 1.95 per cent. This industry has succeeded in reducing the value *of imported components from* 40-50 per cent a few years ago, to 10-15 per cent now.

The production programme of Yugoslav marine shipyards comprises ships for general cargo, bulkcarriers, container vessels, *ro-ro and lo-lo*, tankers, crane ships, ferries, floating docks, passenger ships, tankers for chemicals, oil platforms, harbour tugs, fishing boats, yachts, and other vessels.

Other work includes the repair, conversion and modernisation of ships; the manufacture of marine equipment. Some of the yards specialise in the production of warships and support ships, submarines, patrol boats, minesweepers and other navy *vessels and equipment.*

There is also considerable manufacture of marine engines, both own design and under licence from manufacturers such as Sulzer, MAN, Burmeister, Wain, Semt-Pielstick, Hatlap, Haglunds *and others.*

The 3rd May shipyard in Rijeka is the largest marine shipyard in Yugoslavia, employing more than 6,000 workers. It designs and builds ships up to 125,000 tdw, carries out ship *repairs and conversions/recon*struction, and manufactures slow and medium-speed marine and stationary diesel engines as well as marine and industrial equipment.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
21	22	23	24	25	26	27

Opera and Ballet

PARIS

Tosca is followed by Swan Lake in Rudolf Nureyev's choreography inspired by Petipa and Ivanov, conducted by Ashley Lawrence/Michel Queval. Odette/Odile is danced alternately by Florence Clerc, Monique Loudières, Elisabeth Platel, Claude de Vulpian, Noella Pontois, while Prince Siegfried's role is held by Cyril Atanassoff, Michael Denard, Charles Jude, Jean-Yves Lormeau and Rudolf Nureyev alternately. Paris Opera (742 5750).

Chabrier's l'Étoile, called the pearl of French operettas, is conducted by John Burdekin at the Opera Comique (296 0611).

Compagnie ballet d'Enfants, Janine Stanlowa in Nutcracker at the Salle Pleyel (561 0630).

Les Nummenschanz – mimes, masks and fantasy at the Théâtre de la Ville at 6.30pm (274 2277).

NEW YORK

Metropolitan Opera (Opera House): James Levine conducts the season's first performance of Aida with Leontyne Price, Florenza Cossotto and Simon Estes as well as Simon Boccanegra with Sherrill Milnes playing Verdi's powerful doge. Jeffrey Tate conducts Cosi fan Tutte with Carol Vaness, Ann Murray and David Rendall. Lincoln Center (362 6000).

New York City Ballet (New York State Theater): The 31st season will have the 100th performance of The Nutcracker during its month-long performances. Lincoln Center (870 5570).

WASHINGTON

Washington Opera (Terrace): The season continues with a new production of La Sonnambula and a revival of Menotti's The Medium & The Telephone. Kennedy Center (254 3770).

American Ballet Theatre (Opera House): Three-week holiday engagement, now a local tradition, includes performances of Romeo and Juliet, Cinderella, choreography of Balanchine, Tharp, Cunningham and the world premiere of a work for 21 dancers by David Gordon to John Field's Seventh Piano Concerto. Ends Jan 6. Kennedy Center (254 3770).

NETHERLANDS

Amsterdam. Stadsschouwburg. A Stravinsky programme from the National Ballet: Agon, Monumentum Pro Gesualdo, Movements for Piano and Orchestra (All Balanchine) and Orfeo (Toer van Schayk). (242 311).

Scheveningen, Circus Theatre. Netherlands Opera in Massenet's Werther directed by Rhoda Levine, with decor and costumes by John Conklin, The Hague Philharmonic under Hans Vonk, with Sylvia Lindenstrand and Neil Rosenshein heading the cast. (558 800).

Amsterdam, Stadsschouwburg. Netherlands Opera with Puccini's La Fanciulla del West, directed by David Pountney. Cast headed by Karan Armstrong and Henk Smit, with the Utrecht Symphony Orchestra and the Netherlands Opera Choir conducted by Bohumil Gregor (242 311).

ITALY

Florence: Teatro Comunale: A highly successful production by Franco Zeffirelli (he also did the scenery and costumes) of La Traviata, with the young soprano, Cecilia Gasdia, also Peter Dvorski, Giorgio Zancanaro and Edith Martelli. (21.62.53).

Naples: Teatro di San Carlo: A splendidly dramatic production of Macbeth with Riccardo Muti conducting for the first time in his home town. Impressive scenery by Giacomo Manzu and fine performances by Elisabeth Connell, Renato Bruson, Veriano Luchetti and Agostino Ferrin. (41.82.66).

Milan: Teatro alla Scala: Carmen in the original version with Shirley Verrett singing the role with which she made her debut more than 20 years ago at Spoleto. Placido Domingo as Don Jose and Ruggero Raimondi as Escamillo. The production and the Goyaesque scenery and costumes are by Piero Faggioni and the conductor, Claudio Abbado. John Cranko's ballet, Romeo and Juliet – to Prokofiev's music. The Paris Opera production conducted by Michel Sasson and with scenery and costumes by Jurgen Rose is danced by Anna Razzi, Oriella Dorella and Marco Pierin. The Barber of Seville by Rossini, conducted by Claudio Abbado with Frederica von Stade, Francisco Araiza, Enzo Dara and Ruggero Raimondi. Directed by Jean-Pierre Ponnelle, who also designed the scenery and costumes.

Rome: Teatro dell'Opera: An eccentric and unmusical production of Don Giovanni by Jerome Savary set in the 19th century, with gloomy sets and incomprehensible symbolism. The conductor is Peter Maag, and with Silvano Carroli (uncertain in the title role on the first night). Bruno Pola and Winifred Faix Brown; La Traviata, conducted by Peter Maag, with June Anderson, Giuseppe Taddei and Alberto Cupido. (46.17.55).

LONDON

Royal Opera, Covent Garden: The deplorable multilingual knees-up that the Royal Opera is pleased to call Strauss's Fledermaus returns, this time with conductor Julius Rudel, making his belated London opera debut and a new Eisenstein (Thomas Allen), Adele (Elizabeth Gale), Falke (Russell Smythe), and Orlofsky (Hanna Schwarz). (240 1066).

English National Opera, Coliseum: Tchaikovsky's Mazeppa, a rare and musically glorious work, makes a first London stage appearance – David Alden produces, Mark Elder conducts, and the cast is led by Malcolm Donnelly, Janice Cairns, and Felicity Palmer. The latest revival of The Makropulos Case (last performance) is one of the best Janacek performances London has seen; as Elina Makropulos, the 339-year-old heroine, Josephine Barstow gives one of her most brilliant performances. (836 3161).

Royal Opera House Covent Garden. The Royal Ballet presents its new and authentic Nutcracker.

Sadler's Wells, Rosebery Avenue: Sadler's Wells Royal Ballet has Coppelia much in evidence in its season. (278 8916).

Royal Festival Hall: London Festival Ballet stages its marathon season of Nutcracker. (928 3191).

Titus in Bonn

Christmas Day will see the long-awaited premiere of Titus, a rarely played Mozart opera, at the Bonn Opera, with Edda Moser, Arleen Auger and Trudeliese Schmidt and with Denes Gulyas, a Hungarian under contract to the Budapest state opera, in the title role. The event has been produced by Maria Francesca Siciliani and will be conducted by Yehudi Menuhin. (0228/773666 or 773668).

WEST GERMANY

Berlin, Deutsche Oper: Hoffmans Erzählungen, produced by Giancarlo Del Monaco, has Neil Shicoff making his Berlin debut in the title role. Hänsel and Gretel, has Helga Wisniewska. (34 381).

Hamburg, Staatsoper: The new production of My Fair Lady, produced by Karl Wesseler, has Gabriele Ramm as Eliza Doolittle and Boy Gobert playing Henry Higgins. Der Rosenkavalier is cast with Judith Beckmann, Marjana Lipovcek, Barbara Bonney and Hans Sotin. (351 151).

Frankfurt, Oper: Parsifal is offered for the first time this season. The ultramodern production by Ruth Berghaus has Walter Raffeiner in the title role. Der Zigeunerbaron is conducted by Michael Luig. Ein Maskenball convinces thanks to Lucia Plowright as Amelia. La Bohème, sung in Italian, rounds off the week. (25 621).

Cologne Opera: A revival of Ein Maskenball, Hänsel und Gretel, a good repertory performance; The Magic Flute has Heseon Kwon outstanding as Queen of the Night. (20 761).

Stuttgart, Württembergische Staatsoper: Idomeneo, a Harry Kupfer production with Carmen Reppel, Raili Viljakainen and Rüdiger Wohlers, as well as Die Meistersinger von Nürnberg. (20 321).

Munich, Bayerische Staatsoper: Ariadne Auf Naxos is well worth seeing with Dolores Siegler, Edita Gruberova and Margaret Price in the main parts. After a long absence in Germany, Placido Domingo returns in La Bohème as Rodolfo. The cast also includes Katja Ricciarelli. (21 851).

BRUSSELS

Theatre Royale de la Monnaie: Pelleas and Melisande, conducted by Sylvain Cambreling, directed by Andre Delvaux with Jerome Pruett, Jose van Dam and Christine Barbaux. (218 1211).

VIENNA

Staatsoper: Die Walküre conducted by Schneider with Rysanek-Gausmann, Jones, Fassbänder, Lotte Rysanek; Lohengrin conducted by Schneider with Ligandza Vejzovic, Jerusalem, Rootering and Becht; The Magic Flute conducted by Guschlbauer with Gruberova, Ghazarian, Janowitz and the Vienna Boys Choir. (5324/2655).

Volksoper: Vienna Blood conducted by Kalmar; Die Fledermaus conducted by Bibl; The Merry Widow conducted by Bibl; The Daughter of the Regiment conducted by Bauer-Theussl. (5324/2657).

Exhibitions

PARIS

Le Douanier Rousseau: Extraordinary tropical vegetation with exotic flowers, gently poetic images of Paris and its surroundings, dignified portraits of himself and his friends fill Douanier Rousseau's canvases. Self-taught, appreciated by Apollinaire yet cruelly mocked by others, he found an escape from the daily humdrum existence in the dream world of his paintings. Grand Palais, 10am-8pm. Wed till 10pm, closed Tue. Ends Jan 7. (260.39.26).

NEW YORK

Metropolitan Museum of Art: Te Maori begins its U.S. tour showing the native treasures of New Zealand, with a rich Polynesian heritage of stone and ivory ornaments, bone and stone weapons and wood carving. Ends Jan 6.

WASHINGTON

National Gallery: Old Master Drawing from the Albertina, celebrating two centuries of Austro-American relations, includes Dürer's Praying Hands among the 75 works by Fragonard, Rembrandt, Pieter Bruegel the Elder, Lucas Cranach the Younger, and others. Ends Jan 13.

CHICAGO

Museum of Contemporary Art: Celebrating the foresight of local collectors, Dada-and Surrealism in Chicago Collections includes more than 300 works by Dali, Ernst, Magritte, Miro, de Chirico, in mixed media including sculpture and photographs as well as paintings and drawings. Ends Jan 27.

WEST GERMANY

Cologne, Museum für Ostasiatische Kunst, 100 Universitätsstrasse: The Museum of Far Eastern Art is showing Korean art – some of which is more than 5,000 years old. It includes extremely thin-walled storage jars with scratch patterns, bronze and stone weapons, glazed vessels, woodcut prints, gold sheeting and gold ornaments, pearls, green jade and glass, a sepulchral crown, bronze figures and tombstone reliefs. Ends Jan 13.

ITALY

Venice: Palazzo Ducale: The Treasures of the Pharaohs – a rich and fascinating exhibition of more than 60 works (lent by the Cairo Museum) – covering over 3000 years, and containing an enormous variety of objects from mundane things such as combs and cooking pots to the contents of Tutankhamun's tomb. Until End of December.

NETHERLANDS

Enschede, Rijksmuseum Twenthe. A retrospective of Odile Redon, with 80 paintings, pastels and drawings, and 50 lithographs and etchings from the state collections. Ends Jan 20.

VIENNA

Medieval Art from Serbian Monasteries: This exhibition from Yugoslavia of religious art from Serbian Medieval Monasteries covers the period from the 10th to 17th centuries and includes some intricately worked silver book covers, chalices and incense burners. Gilded icons are also of interest, showing a surprisingly modern angular technique in depicting garments. Other exhibits include illuminated manuscripts and copies of frescoes, and all show a fascinating intermingling of eastern and western artistic influences. Museum of Mankind. Ends Jan 20.

Simon Schatzberger in "The Secret Diary of Adrian Mole," at Wyndhams, London.

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately trashy and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rodgers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

WASHINGTON

Crossed Words (Folger): A Christmas season pantomime is not much of an American tradition, but with John Neville-Andrews, an English head of the company, and the Globe Theatre as the setting, there is hope it can still catch on. Ends Jan 6. (546 4000).

TOKYO

Kabuki (National Theatre): Daikyoji Mukashigoyomi by Japan's most important classical playwright, Monzemon Chikamatsu, centres on the love-suicide of a merchant's wife and shop clerk. The play includes scenes in Bunraku puppet style, showing the close relationship between these two 17th century types of theatre. Yoshiwara Suzume is a dance featuring husband and wife peddlers in the Yoshiwara pleasure quarters of old Tokyo. English programme and earphone guide. (265 7411).

LONDON

The Real Thing (Strand): Jenny Quayle and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Music

LONDON

Royal Philharmonic Orchestra conducted by Lionel Friend with Peter Donohoe, piano. Beethoven. Barbican Hall (Wed). (638 8891).

Royal Philharmonic Orchestra conducted by James Judd with Howard Shelley, piano. Rossini, Rachmaninov and Tchaikovsky. Barbican Hall (Thur).

Ronnie Scott's, Frith Street: Singer/entertainer George Melly with John Chilton's Feetwarmers. (439 0747).

PARIS

Choeur National, Soloists and instrumental ensemble conducted by Jacques Grimbert: Midnight Mass. Schütz, Grimbert, Du Mont, Gabrielli. Carols (Mon 10pm). Saint-Roch Church.

Enesco Quartet, Hanna Schaer, mezzo. Jean Koerner, piano: Duparc, Lekeu, Respighi, Schubert (Thur). Radio France, Grand Auditorium (524 1516).

NEW YORK

Carnegie Hall: New York String Orchestra, Alexander Schneider conducting. Haydn, Handel, Mozart (Mon midnight). (247 7459).

WASHINGTON

New York String Orchestra (Concert Hall): Alexander Schneider conducting. Handel, Haydn, Mozart (Wed). Kennedy Center (254 3776).

VIENNA

Biedermeier Ensemble, Bach, Vivaldi, Mozart and national Christmas songs. Evangelical Church, Dorotheergasse (Mon).

Martin Ricker, organ. Christmas music from Bach and Franck. Lutheran Church, Dorotheergasse (Tue).

NETHERLANDS

Amsterdam, Concertgebouw. Bernard Haitink conducts the Concertgebouw Orchestra, with Roberta Alexander, soprano, and Jard Van Nes, contralto. Mahler's Second Symphony (Tue); a Bach matinee from The Netherlands Chamber Orchestra under Rudolf Werthen, with Istvan Parkanyi, violin, and Elly Ameling, soprano (Wed). In the Recital Hall (Wed), Colin Carr, cello, plays Bach. On Wed evening a Tchaikovsky programme with the Amsterdam Philharmonic conducted by Anton Kersjes, with Vera Beths, violin, and Anna Bijlsma, cello. (71 83 45).

Rotterdam, de Doelen. Chopin recital by Stefan Askenase (Wed, Matinee); Amsterdam Philharmonic conducted by Anton Kersjes with Vera Beths, violin, and Anna Bijlsma, cello. Tchaikovsky (Thurs). (142911).

Utrecht, Muziekcentrum Vredenburg. Two matinees (12 and 3pm) by the Utrecht Symphony Orchestra conducted by Ronald Zollman. Mozart, Hummel, Tchaikovsky (Tue). (314544).

TOKYO

Beethoven's 9th Choral Symphony: A special Japanese year-end tradition: New Philharmonic Orchestra, conducted by Ban Aya; Shinjuku Bunka Center (Tue). (0474 76 0141).

Tokyo Symphony Orchestra, conductor: Akiyama Kazuyoshi; Tokyo Academy Chorus includes Vivaldi. Tokyo Bunka Kaikan (Wed). U-Port, (Thur) (362 6764)

Shinsei Nippon Symphony Orchestra, conductor: Kazuo Yamada. Beethoven's 9th preceded by Haydn. Shinjuku Bunka Centre (Wed, Thur). (985 4825).

Japan Philharmonic Orchestra, conductor: Herbert Kegel. Beethoven's 9th. Egmont Overture. Kosei Nenkin Hall (Wed, Thur). (234 5911).

New Japan Philharmonic Orchestra, conductor: Seiji Ozawa. Tokyo Bunka Kaikan. (Thur). (499 1531).

Diane Lane and Richard Gere in Cotton Club

Films/Nigel Andrews

The Hollywood Round-up

It takes seven hours for the average non-Concorde human to cross the Atlantic, and about seven months for the average non-supersonic feature film to do the same. So distributors can hardly be surprised when the British film critic, faced this Yuletide by the silliest silly season in memory, hops on a 747 and saves himself and his readers the odd six months, 30 days and 17 hours in order to preview the new American films.

And the difference in the cinematic landscape between Britain and the U.S., as I have just found in my two-week visit is astounding. Apart from a simultaneous unveiling of *Dune*, none of the major American films now eating up movie queues in New York and Los Angeles is scheduled to hit the UK before spring. Meanwhile British audiences have to endure a Christmas of last summer's Hollywood hand-me-downs (*The Last Starfighter*, *Caravans of Courage*) sprinkled with outré and unseasonal art movies (*A Man Like Eva*, *Slow Moves*, both to be reviewed).

America's plum pudding this Noel is Francis Coppola's *The Cotton Club*, which opened in New York last week. The pudding is stuffed with so much money—$50m—that some U.S. critics have already cracked their teeth on its rebarbative budget and pushed the plate away scarcely-touched. (As they did with Cimino's *Heaven's Gate*).

It's true that this celebration of Harlem's famous black jazz club—part gangster film, part musical—doesn't reflect its Midas cost in either plot or cast. The first is a confusing multi-character frenzy of trellises, shadows and machine-guns, as if *The Godfather* had been remade by Alfred Jarry. And the second is an omnium gatherum of substellar character actors—Gregory Hines, Bob Hoskins, Fred Gwynne, Lonette McKee—led by a single superstar, semi-incognito in moustache and dark glasses, Richard Gere.

But if you lie back and think of the decor, the cinematography and the music, the submissionary position has its own rewards. Designer Richard Sylbert has turned between-wars Harlem into a riot of Art Deco angularity and Fauvist figurations, dunked in amber and silver: it's like being assailed for two hours by Kirchner or Beckmann paintings. Stephen Goldblatt's photography, with its smoke-diffused backgrounds and visual *fioriture* (a lace curtain casts a Sternbergian netting of shadow over two bodies during love-play) is equally dazzling. And the musical numbers are so vibrant—Gregory Hines soft-shoeing under a cataract of light, Larry Marshall dervishing in white tails through a pastiche of Cab Calloway's Minnie the Moocher, the whole cast (or almost) uniting in a Grand Central Station knees-up—that you can almost forgive the film's lack of plot and character-appeal for its multi-sensory pizazz.

The female roles in The *Cotton Club* are tiny and tokenist. But anyone who fears or hopes that 1985 will see a farewell to Feminism on film can fear or hope again. In most of the new movies I saw, women were commanding top billing and corralling the best roles (and as often as not, producing the films, too).

In Jonathan Demme's lively *Swing Shift* Goldie Hawn discovers sexual and social emancipation as a factory worker during World War Two. (This is *Rosie The Riveter* with comic-romantic knobs on.) In *The Little Drummer Girl*, directed by George Roy Hill from John Le Carré's Middle East spy thriller, Diane Keaton is the double-agent heroine whose face launches a thousand bazookas. In *Falling In Love* Meryl Streep meets Robert De Niro in a flimsily charming Manhattan brief encounter (directed by Ulu Grosbard) and whisks the film away from him with the best "look no script" acting *tour de force* of the year. And in *The Razor's Edge*, directed by John Byrum and dedicated to the proposition that you too can fall asleep during a Somerset Maugham story, Theresa Russell in fizzing form as bad girl Sophie—all minx, mayhem and mascara—takes about three scenes to KO her co-star Bill Murray, cataleptically miscast as Maugham's globe-trotting misfit mystic.

But this group of scene-stealing women is but the lower part of the iceberg. For high-visibility Feminism in the new American cinema you must take in the "Women's Lib Goes Farming" movies. Who would have thought that in the hi-tech mid-80s, U.S. audiences would be taking time off from cellulloid space travel to watch heroine-dominated retreads of *The Grapes of Wrath?* Sally Field in *Places of the Heart*, Jessica Lange in *Country* and Sissy Spacek in *The River* are all spitfiring away like mad, with cornstalks or sermons in their mouths, defending the honest workers of the land against the nasty bosses and landowners.

Hedged about by gremlins and ghostbusters, it's grand, of course, to be reminded that there's a real world out there where people drive tractors, pay bills, agonise over mortgages, fail to repair cars, and swear at their children. And all three of these bucolic tales are acted and directed with the kind of humanist conviction we haven't seen on screen since Henry Fonda, Jane Darwell and the like stalked the land. Howling dust-storms, wicked "twisters," flattening rain, windswept faces despairing at the window; the sudden glimmer of hope as a few days of sun fatten the corn; then the tussle-against-time to bring in the harvest before the creditors (and their puppet-masters, the corporation bosses) bring in their bills.

But the Edenic vision of "America the Granary" behind these movies now seems oddly dated: as if the era of individual sweat and toil had never given way to the era of the combine harvester, let alone the era of farm subsidies and product mountains. Worst of the films is *The River*, with its surging sentiment and maniacal Manicheism (country people good, city people bad). Best of them is *Places of the Heart*, which writer-director Robert Benton and photographer Nestor Almendros craft not just as a slice of heroic-agrarian life but as a cunningly pinbright allegory of faith and hope amid Huck Finn settings and Grandma Moses colours.

Meanwhile, the more macho directors in Hollywood, some of whom haven't even broken step at the approach of Women's Liberation, march unrepentantly on. Peter Hyams, who tends to use women either as decorative plot-points or else as Mills and Boon swooning-machines (remember Lesley Anne Down in *Hanover Street?*) has made the virtually all-male *2010*, sequel to—yes—*2001*. Stuffed with Special FX and almost criminally banal in the way it tries to "resolve" all the reverberant riddles of Kubrick's film, its chief claim to accidental charisma is Helen Mirren speaking unspeakable lines in a Russian accent but still seeming human as a Soviet space captain. This role is the kind of "concession" to Feminism that, in the hands of a less resourceful actress, can, and often has, merely spread the stigma of Hollywood stereotype and characterisation - by - hokum across both sexes.

Brian De Palma, by contrast, is a macho director with originality and imagination. If you showed his new film *Body Double* to the Greenham Common Film Club, you would probably be torn asunder: it contains voyeurism, misogyny, eroticism, murder, exploitation, whiffs of pornography and goodness knows what else. But its virtue is that it is as much *about* the Satanic mills of male egotism as a product of them: and it's also about the voyeur in all of us, that evil, queasy Id compounded of the curious and covetous that can follow its prey as circuitously but single-mindedly as De Palma's ever-tracking camera. Surreal, mischievous, labyrinthine, brilliant, this is the best film yet by Hollywood's master of the macabre.

A bleak year ahead for the arts

Antony Thorncroft

"A very bleak year indeed" is the forecast of Mr Luke Rittner, secretary general of the Arts Council for 1985. The Government's grant to the council of £105m, a 3 per cent increase, plus £2m earmarked for special projects, creates "the most serious problem that the Arts Council and the arts world, have faced."

The misery will not be evenly spread. The council has decided that the financial needs of every client will be reviewed individually with the aim of "maintaining as many as possible" rather than giving everyone a 3 per cent rise in grant. This means that some will receive more than others, with the decisions made at a council meeting on January 30.

One important group, the four London orchestras, the LSO, the LPO, the RPO and the Philharmonia, received their bad news yesterday—the Arts Council is reducing its contribution to the London Orchestral Concerts Board by £280,000 in 1985-86. Each orchestra will receive a cut in proportion to its current grant.

This is a case of the council taking the easy option. In its Glory of the Garden review of the arts this year it announced that it wanted one of the four to move to the orchestrally starved east of the country, to be based on Nottingham. It said that it would force such a transfer by financial pressure and save £280,000, which would go towards its avowed policy of switching cash out of London and into the regions.

The Duncan Report was commissioned into the four orchestras with the aim of finding one for the chop. In the event all are to be treated equally. In effect the Arts Council is putting off the decision for a year.

After the abolition of the Greater London Council it will take direct responsibility for the four orchestras and the orchestral board will disappear. It will then give money to the four in the same way that it subsidises the regional orchestras and can then, if it wishes, select one for the financial chop.

In the short term the orchestras should be able to survive. None loses more than £100,000 from the current saving which amounts on average to a reduction in their income of 2 per cent. It may mean a safer repertoire and more energetic search for industrial sponsorship but basically they have been given a year in which to improve their musical standards so that they will not be the sacrificial victim in a year's time.

Peter Pan/Barbican

Michael Coveney

Returning for a third and final season, the RSC's *Peter Pan* can have few rivals as the best seasonal show in town, although a little of the gloss has been knocked off John Caird's and Trevor Nunn's production. It sags in the second half and I miss from two Christmases ago the exact, scientific playing of children by adult comic actors.

The Lost Boys are a grey, rather dull bunch, with the vital exception of Allan Hendricks's Tootles. The Darling boys, John and Michael (Philip Franks and Phillip Dupuy), are both wan. Overall, an element of ecstasy has gone, or is it just an element of surprise? The pirates are under-coloured, too, though Timothy Knightley makes an impression as Smee.

This latter remark comes from the narrator, Brian Murphy donning Barrie's tweeds this year, and proving an amenable and humorous guide. The framing device of the narrator, a matter of some critical dispute, works well, although Mr Murphy does not point up the heartlessness of children at the end as Stephen Moore first did.

Mr Moore has moved sideways to occupy the double role of Mr Darling and Captain Hook for the second year running. He is a cuddly villain, with a soft voice and a curious habit of detaching the upper register from the middle and lower in a querulous squeak. The poop deck speech does not carry the same melodramatic bravura as when delivered by Joss Ackland; but there is some lovely new business—the pained exclamation when sitting on his own hook, for instance. And when the kennelled Mr Darling is reunited with his children and faced with the Lost Boys, his left little finger crooks in mysterious recollection of another life.

Best of all is Jane Carr, returning after one year out as Wendy. This brilliant performance suggests that the child who is by temperament a mother can be trapped in the maternal role just as Peter is doomed to never grow up. Hence the power of the epilogue, when Peter returns to abduct Wendy's own child and leave her waving from the nursery window. Miss Carr's inquisitive feet and dimpled cheeks are a mere prelude to her whiplash bossiness. The heart of the original performance is threatened by John McAndrew's shallowness of emotional dependence on her.

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A war not to forget

THE SOVIET invasion of Afghanistan and the bitter fighting that it set off looks like becoming a forgotten war.

Since the invasion at Christmas 1979 more than 4m Afghans have become refugees in Pakistan and Iran. The number dead runs into many thousands among the Soviet Army, the Communist-controlled Afghan army and among the various anti-Communist guerrilla movements.

If the russians were to bring Afghanistan wholly under their control or that of President Babrak Karmal, their ally in Kabul, they would be that much closer to the Arabian Sea where tankers sailing from the Gulf to Europe, the U.S. and Japan constitute one of the lifelines of the West. They would also be on the Khyber Pass, one of the historic invasion routes into the Indian subcontinent.

So far the fighting has gone badly for the Russians, not only militarily. It has undermined their claim to be the defender of the Third World against western colonialism and imperialism.

It is a psychological and political advantage that the West can exploit. But the scope for more direct action is limited. Some 30 years ago Afghanistan was tacitly divided into a Soviet sphere in the north and a western sphere in the south of the country. Two coups and an invasion later western influence is greatly diminished, even though the Russians are far from gaining control.

Interference

A commonsense settlement is not hard to outline. Its main elements would be the withdrawl of their Russians, the cessation of American, Chinese and other support for the guerrillas, and the establishment of a non-aligned goverment of the Afgans' own choosing. These ideas have repeatedly been put forward by the Eurpean Community and by Pakistan. They figure largely in the thinking of the UN secretariat.

Even Tass has said that the Russian soldiers would go if all western interference were to come to an end in Afganistan. In practice, however, Moscow and the Karmal Government have shown no give. Perhaps some Soviet political leaders are worried about the adventure into which they have been plunged. But they are not ready to contemplate retreat from it.

As long as this remains the case political initiatives are blocked. And plainly the West neither could nor should try to dislodge the Russians by force. The U.S. has virtually acknowleged as much. The CIA has funds to support he guerrillas with light arms and training mainly through Pakistan. But help is strictly rationed so as to keep the Russians bogged down while avoiding a showdown.

The consequence is an unstable situation in a critical part of the world. It is unstable because any conflict can spark off a bigger conflagration. Afghanistan itself is riven by conflict between tribal society (the power base of the guerrillas) and the process of urbanisation and modernisation (of which the Communists have seized control).

Instabilitp

It is unstable also because Afghanistan is at the meeting point of so many different interests: those of China, the Soviet Union, Iran, Pakistan, India, and of the West. All this makes it essential for the regional powers to see to their defences.

Pakistan needs to seek a greater measure of internal consensus to counteract sentiment in Baluchistan, south of the Afghan border. A determined effort is needed to reduce hostility between Pakistan and India and to improve the climate between India and the U.S. Mr Rajiv Gandhi, the new Indian Prime Minister, may conceivably work for better relations with the U.S. But the U.S. would have to respond by ceasing to cavil at India's non-alignment.

Mr Gandhi might also seek better relations with Pakistan. He was a child at the time of the division of India which his mother's generation regarded as an unforgivable hurt. Modern India has no cause to weaken a Pakistan facing Soviet troops across the Afgan border. Hardened attitudes will have to be overcome. The alternative might one day be Soviet troops at the gates of India and on the shores of the Arabian Sea.

Businessmen in Whitehall

THE SOUND *of protectionist* barriers of any kind crashing to the ground, even if accompanied by injured cries from affected interest groups, ought to be welcomed in the cause of greater efficiency. Nowhere is this more true than in the public sector where slowly the cultural barricades separating private sector "capitalists" and public sector "servants" are starting to crumble.

Yet on several occasions in recent months there has been anxiety about the drift of civil servants into the private sector and about the appointment of leading businessmen to senior public sector positions.

Th most recent appointments to the public sector have been that of Mr Victor Paige, chairman of both the Port of London Authority and the National Freight Consortium, to be the chief executive of the National Health Service at £70,000 a year and Mr Peter Levene, head of United Scientific Holdings, to be chief of Defence Procurement at £95,000 a year. To fire the controversy yet further Sir Frank Cooper, former Permanent Secretary at the Defence Ministry, has been appointed Mr Levene's successor at United Scientific.

Two arguments are advanced against all of this. One is that it is damaging to civil service morale, and therefore against the national interest, for public servants to see people whizzed into the top jobs at double the top civil secvice salary. The second is that it is all to cosy and potentially corrupt with the boys swapping lucrative slots with the boys.

Complexity

But consider the real problem: the National Health Service is Europe's largest employer with a budget of £17bn; defence procurement is a deeply complex business operation which spends £8bn of taxpayers' cash every year. They are gigantic operations which have, above all else, to be managed in such a way as to ensure that the public has the best chance of getting value for its money. Small mistakes and minor inefficiences in this scale of operation are horribly expensive.

In defence procurement, for example, there is certainly fat to be cut out through a determined attack on costs and prices. The civil service culture is perhaps not ideally suited to the hard and often unpleasant business of driving suppliers down to the lowest possible price. The savings that have been achieved when contractors have been exposed to competitive bidding — or even the threat of it — suggest that a more hard-nosed approach could pay big dividends. The Government's view is that a poacher turned gamekeeper — United Scientific is itself a major defence contractor — is likely to achieve results, and it is probably right. Even a 1 per cent saving in procurement costs would pay for Mr Levene's salary many times over.

Th transfer of Mr Levene may damage morale, not just because of the size of his salary, but because it may reinforce the view that civil servants are undervalued by the present government. Appointments of this kind may encourage yet more brighrt but disillusioned young principals to leave Whitehall for the world of business. Yet the general arguments for greater mobility between the civil service and private sector—in both directions—are compelling. The UK suffers from its rigidity in this respect compared to countries like France and Japan.

Improvement

Sir Frank Cooper's appointment to Mr Levene's old job will revive worries about the propriety of retired service civil servants taking posts in companies with which they had dealings in their official capacity. The present system of checks and balances under Lord Diamond's advisory committee on appointments for senior civil servants has generally proved itself effective, it can recommend a two-year block on appointments, which is a virtual veto. A major improvement would be a five-year block on former civil servants representing their new employers on specific issues for which they were previously responsible — a change currently under consideration.

But the key deterrent to any impropriety, particularly over such sensitive issues as defence contracts, would be to open the system of government sufficiently to allow a rigorous and detailed examination of all major public sector contracts and contractual negotiations by, say, the Public Accounts Committee aided by the Comptroler and Auditor General.

India's election

'What can we do but vote for her son?'

John Elliott in New Delhi on the closing stages of an election campaign dominated by the Gandhi succession

The memory of Mrs Gandhi has dominated Rajiv's campaign

NEXT WEEK'S election in India is more than anything else a referendum for Rajiv. There is no major issue in the election campaign, now drawing to its close, apart from whether or not Mr Rajiv Gandhi, should be voted into the Prime Ministr's job which he took over a few hours after his mother, Mrs Indira Gandhi, was assassinated six weeks ago.

Last night, with victory in his sights, Mr Gandhi flew in by helicopter, to the heart of the old part of New Delhi, India's capital. He addressed a crowd of under 100,000 (small by Indian standards) under the walls of the old Moghul red fort where his mother used to deliver a marathon speech to a huge dawn assembly every Republic Day.

The helicopter was necessary for security reasons, but was also a symbol of the fact that India is about to be governed by a younger generation. Faced with a fragmented and weak opposition, Mr Gandhi seems assured of winning the right to continue the dynasty started by Mr Jawaharlal Nehru, India's first prime minister, and father of Mrs Gandhi.

Rajiv will be the victor, but it is Mrs Gandhi and her memory which have dominated the campaign. He refers constantly to her. Her martyrdom, and her pictures and words overshadow everything he does.

Polling in most of the country on Monday will be over by Friday. It is a huge affair, the world's largest election in the world's largest democracy, with 37 political parties and as many as 40 candidates standing in some constituencies. There are about 380m registered voters qualified to poll in 1.5m ballot boxes at over 400,000 polling stations, in about 510 constituencies, guarded by at least 2m police and para-military forces.

Over 9,200 candidates filed nomination papers last month. This has now come down to over 5,300 following withdrawals by opposition candidates in seat adjustment deals, and cancellation of double-nominations lodged by some candidates as a form of insurance. Of those still standing, some are spoof candidates, paid by rich contestants to stand and split opponents' votes.

Voters are bribed with trnkets and gifts—including Christmas cakes in Christian areas like the southern state of Kerala. They are being wooed with songs and tape recordings of speeches (including the last words of Mrs Gandhi spoken the day before she died: "When I die every drop of my blood will strengthen the nation and keep a united India alive."

For the first time, people are also watching propaganda on video recorders carried to villages by contestants and watching television via 180 rgeional TV transmitters installed in the past year.

At a more corrupt level, big gifts are given to local leaders able to pull in votes, and polling stations are likely to be raided by gangs (known colloquially as booth capturing).

Voters are sometimes chased away by armed thugs from booths. When it is all over if there is a close result some elected MPs will swap parties for large amounts of money.

This is the form of democracy—in its own way a formidable achievement—that has evolved in India nearly 40 years after independence. The Westminster inheritance has become intertwined with thuggery and corruption to produce a system that can sometimes shock a European or an American. But in Asia it has to be judged by different standards and compared with the military dictatorships of neighbouring regimes such as Pakistan (where President Zia-Ul Haq intends to rule automatically for another five years) and Bangladesh (where General Ershad continually postpones elections).

No one expects Mr Gandhi to lose, though opposition stalwarts are still insisting they will win enough seats to form a coalition government (no opposition party has fielded enough candidaetes to form a government on its own).

The real question is how big a majority he will achieve, everyone agreeing that it will be larger than his mother could have achieved had she lived.

calculations based on seats which his Congress I party are expected to win in individual states give him a total of275 to 315 seats, well above the 256 simple majority needed for him to govern.

But the country's main current affairs magazine, India Today, has forecast a figure of 366 and this sort of landslide cannot be ruled out. Such a result would mean that Mr Gandhi has successfully capitalised on a backlash among the country's 460m Hindus in the aftermath of Muslim problems in the northern states of Jammu and Kashmir, and against the background of the continuing Sikh Punjab crisis. This would offset possible losses for his party in the South where there was a regional swing against Mrs Gandhi last year.

Mr Gandhi has been taking a tought line over Sikh activists to build Hindu support. "We are distraught — what can we do but vote for her son? She was our leader," is a typical reaction heard in the villages of rural India where most of the population live.

Mr Gandhi's campaign has been based on this sentiment. The Congress I theme is that Mrs Gandhi "laid down her life for the unity of India" and that her son is the rightful "bright young successor."

He has linked the assassination with the fear—always exaggerated by his mother in order to unite the country behind her—of India being destabilised and Balkanised by an unnamed foreign power (usually assumed to be the U.S. and Pakistan).

"The forces of destabilisation are extremely active," says the Congress I manifesto. "The assassination of Indira Gandhi is part of a wider design. Their vicious and unholy plan is to divide India, for a strong, united and non-aligned India is a potential threat to their international grand designs."

Lacking the common touch and subtlety of his late mother, Mr Gandhi has sometimes overstated this theme, appearing to accuse opposition parties of wanting to break up India and support Sikh separatists, something his mother would almost certainly never have done so directly.

At first the opposition shrank from attacking him personally for fear of antagonising voters reacting emotionally to his mother's death.

But Mr Atal Behari Vajpayee, leader of the right-wing BJP and the opposition's most effective orator, was eventually stung in Delhi on Monday night to mock a party that claimed to protect the people when it could not even protect its prime minister who was "shot not in the Punjab or abroad but in her own garden."

Mrs Gandhi's "politics of confrontation" had created a situation that had brought about her assassination."

The opposition's main policy claims are that they would sweep away corruption (also promised by Mr Gandhi), would reduce central domination of the states (a key issue linked with the Punjab), and would swing the economy away from advanced technology and major industrial projects towards the development of agriculture and rural industry.

This opposition line, first put forward by Mahatma Gandhi, appeals to many Indians. Some *leading employers* acknowledge it would create jobs, but with low wages and little economic growth.

Mr Gandhi stands for the alternative approach of taking India into the computer age, *liberalising industrial and economic* controls, and hoping that the rural majority of the population benefit from the increasing economic activity.

His mother left behind a strong economy in the short term with rising growth, declining inflation and a satisfactory balance of payments.

But these issues have not loomed large. Mr Gandhi himself is offering the country a new approach. He looks and sounds so different from his mother that while cashing in on her memory, he can offer part continuity and part change. He is winning the right to be given a chance. There is no credible alternative available.

HOW CASTE CAN INFLUENCE THE VOTE

"MOST of the 120,000 Bhumihar Brahmins will back us and we hope for a lot of the 170,000 Yadavas although they will split. The Independent will get a lot of the 90,000 Kayasthas and the 30,000 Rajputs will *vote for* him and us. The Harijens will probably stay with us."

That calculation, made in Patna, capital city of the northern Indian state of *Bihar*, is typical of assessments made by political activists all over the country about how India's myriad of castes will affect next week's general election result.

The way that castes vote for parties is, as it has always been, a major feature of Indian politics. The country's 460m Hindus are divided into castes are are 10m Sikhs, albeit less strictly. There is a pattern to the way these *castes vote, as there is for* the country's 62m Muslims .

For example, Congress I traditionally expects to win about 40 per cent of the vote, broadly made up by 5 per cent top Brahmins, 25 per cent lowest Harijans, and 11 per cent from the Muslims. Their loyalty, however, is now being tested by the pro-Hindu approach of Mrs Gandhi.

Bihar is one of India's most heavily populated and poorest states with a deeply entrenched caste system. It is also famous for its rough and sometimes corrupt election practices. The caste system is linked with gangs of thugs who work for powerful ambitious landlords, using *violence to influence voting.*

"Congress I will send people to capture election booths, to do bogus voting, and to stop villagers voting—and the administration turns a blind eye" says General S. K. Sinha, who last year retired early from the Indian army after being passed over for the job of chief of army staff. He is now an Independent candidate in Patna.

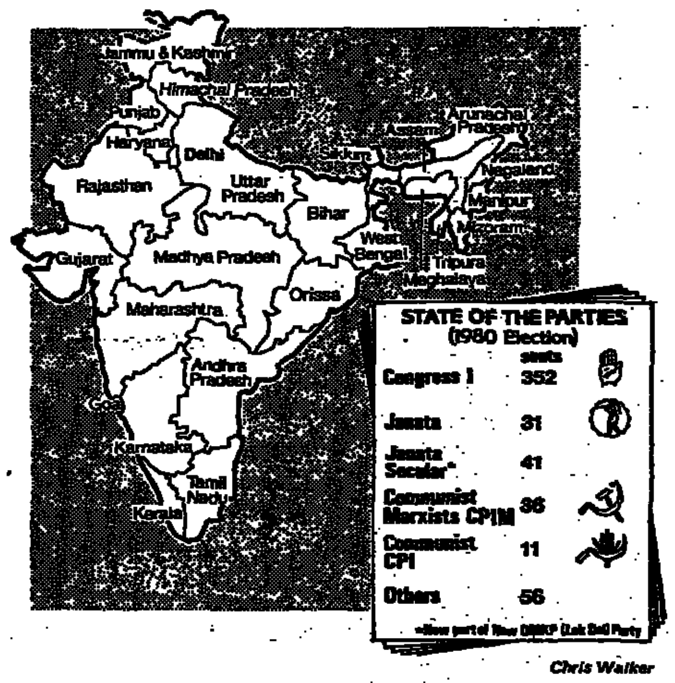
"Caste damages politics by restricting who is chosen as *a candidate—mediocre people* often come up and then only work for their own caste" says Dr C. P. Thakkur, a 52-year-old surgeon who is entering politics in this election as Congress I candidate in Patna.

Originally in India's majority Hindu religion there were four main castes, based on village occupations of several thousand years ago. At the top were Brahmins, whose job was to read the religious scriptures. Below them were Kshatriyas, the warrior class, followed by Vaushyas, the traders, and Shudras, who did the menial jobs.

That system has become highly complex and more and more deeply entrenched, especially in rural areas. The original castes have become subdivided into hundreds of sub-castes

Bihar and the eastern part of *neighbouring* Uttar Pradesh have deeply entrenched caste systems mainly because they are rural communities whose social strata were frozen during British rule which introduced tiers of devolved authority, emphasising the divisions still further.

Yet even in Bihar, caste is not the final determining factor. It influences the choice of a candidate and the *broad* way a *group can be* expected to vote. But it can cancel itself out when more than one good candidate comes from the same caste or when—as is happening this time with the Gandhi family *sympathy* vote—there is a major political issue.



Chris Walker

The Old Lady's new courtiers

Clearly the most interesting item in last night's list of Bank of England appointments newly approved by the Queen is that Kit McMahon is to serve *a further* five years from next March as deputy governor. So much forthe fevered speculation of the last few weeks over his future.

Besides the governor and the deputy governor there are 16 directors of the bank, of whom just four have executive duties. The non-exec ranks are now being maintained by two senior businessmen who, with their differing backgrounds and experience, will tend to complement one another — Brian Corby, aged 55, chief executive of the Prudential Corporation, and Robert Haslam, aged 61, chairman of British Steel and Tate and Lyle.

The court they now join — drawn fro mthe great and the good of industry, finance, academic life, and the trade unions — meets once a week on Thursday. It is not a policy-making body. Rather it is a *forum for discussion* and advice on matters in which the bank is involved. And the governor and his deputy regularly make use behind the scenes of the special skills and knowledge of court members.

Corby, who has shaken up the Pru since becoming group general manager four years ago, is already well known at the bank. He was on the governor's panel of City figures which earlier this year advised on how self-regulation of London's financial markets should be structured.

Corby is a life-long Pru man having joined in 1952, to become an actuary in record time. *He is deputy chairman of the* British Insurance Association, and if that body joins with the Life Offices Asociation to form a single Association of British Insurers, for both the life and general sides of the business, he is expected to be the first chairman.

Haslam has a high reputation as an Industrial manager. He was a career ICI man and joined the main board in 1974. *He went to British Steel and* Tate and Lyle after losing a three-cornered fight for the ICI chairmanship to John Harvey-Jones.

Men and Matters

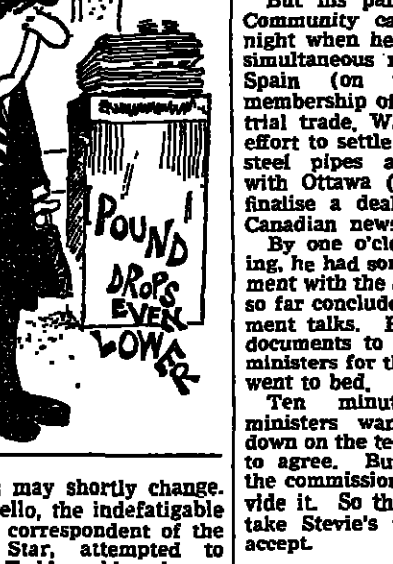
Black mark

Down in the dog eat dog department, I hear my distinguished *colleagues in the Labour* and Industrial Correspondents Group, no doubt overwrought after a busy year, committed a major solecism by inviting Ron Todd, general secretary elect of the Transport and General Workers Union, to a hotel "blacked" by the unions

The hotel is the Kenilworth, for long a grubby hangout of union officials because it is directly opposite the TUC's Congress House headquarters in Bloomsbury. More recently, it has been given a facelift, ceased to recognise unions, and lost fraternal custom to the Ivanhoe, a little further down the road.

Todd, who realised where he was going only yesterday morning when he examined his diary, did come to the next door offices of Union Communications, a public relations outfit specialising in union work, and held forth to the abashed scribblers for an hour. This was after the group had voted that nothing about the incident would appear in their newspapers—a vote ignored by my informant.

Back in the Kenilworth over *the cooling pizza slices and vol*-au-vents, manager Paul Mansi was courteous and regretful. Yes indeed, the Kenilworth, like all hotels in the Edwardian Group chain, did not recognise unions: it did not make a fuss about it, and it was only remarked on because of its proximity to the TUC. "But some of the TUC people do come in," said Mansi brightly. "They just don't book functions."



All this may shortly change. Mick Costello, the indefatigable industrial correspondent of the Morning Star, attempted to *solve the Todd problem* by recruiting Kenilworth staff members into the appropriate union —the National Union of Journalists perhaps?

Stevie's farewell

Members of the outgoing European Commission have been saying their farewells in Brussels *with the inevitable round of* cocktails and dinner parties, while at the same time attempting to tie up all the loose ends of their four years' reign before the New Year.

Though the exercise has consumed a not insignificant portion of the EEC's wine lake, it has resulted in another flood of last minute decisions and proposals.

Perhaps predictably, the one man who seems to have handled it all with ease is Viscount "Stevie" Davignon, the commissioner for industry, energy, research, and you name it.

On Monday night, for example, he was entertained to dinner by the industry ministers of member states after a tough, all-day stee lcouncil. "It was a dinner to celebrate the fact that we would not see each other again," Davignon said yesterday. "We had a feeling of mutual satisfaction."

But his partign gift to the *Community* came on *Tuesday* night when he was involved in simultaneous negotiations with Spain (on the terms for membership of steel and industrial trade, Washington (in an effort to settle the dispute over steel pipes and tubes), and with Ottawa (by telephone, to finalise a deal for imports of Canadian newsprint).

By one o'clock in the morning, he had sorted out an agreement with the Spanish—the first so far concluded in the enlargement talks. He submitted the documents to the EEC foreign ministers for their approval and went to bed.

Ten minutes later, the ministers wanted a last run down on the terms they were set to agree. But nobody left in the commission team could provide it. So they simply had to take Stevie's word for it and accept.

Gift token

Not everybody shares the euphoria which surrounded the signing this week of the Hong Kong deal in Peking.

A prominent Hong Kong lawyer is sending his clients this year a Christmas card cartoon. It portrays Chinese leader, Deng Xiaoping, as Santa, his sack crammed with gifts labelled "Freedom of Movement," "A High Degree of Autonomy," and so on.

He is looking down at two rats. One is pointing to his sack, *while the other*, suitcase bulging with banknotes, is boarding an aircraft, muttering: "Yes, but what happens when Christmas is over?"

Observer

UK TAX REFORM

A startling but simple idea for Mr Lawson

By Michael Prowse

IT IS already clear that Mr Nigel Lawson, the Chancellor, will announce some of the biggest-ever Budget tax cuts next March. His boss, Mrs Thatcher, the First Lord of Treasury, is planning to use most of the "fiscal adjustment," perhaps £3bn, to raise tax thresholds.

The pulling out of tax of the lower paid should be a priority, but next March Mr Lawson could in addition become the first modern Chancellor to achieve a startling simplification of the UK tax system. He could justify his reputation as a radical tax reformer by announcing that all forms of income — wages, profits and capital gains — will henceforth be taxed at a flat rate of 30 per cent.

The idea may sound implausible. It is hard to believe that Mr Lawson would actually implement a reform more radical than the tentative proposals being put forward by his counterpart in Washington, Mr Donald Regan, the U.S. Treasury Secretary.

Mr Regan is proposing that the U.S. economise drastically on its 14 different bands of income tax and settle on just three—15 per cent, 25 per cent, and 35 per cent. He calls this a "modified flat rate" proposal.

But the British system is already simpler than the American. There are only six rates of income tax, ranging from 30 per cent to 60 per cent. To be as radical as Mr Regan, Mr Lawson, in the UK context, would have to propose a full flat-rate system.

A single rate of tax of 30 per cent on all forms of income could be achieved surprisingly easily. Capital gains are already taxed at 30 per cent. The Chancellor announced last March that the rate of corporation tax is coming down to 35 per cent. Lopping off another five percentage points would not sacrifice much revenue.

Nor would a 30 per cent rate of income tax be excessively expensive. The scrapping of higher rates would cost only £1.6bn. The money could be raised by tightening up capital transfer tax (CTT) and by imposing an initially modest rate of tax on the investment income of pension funds. Both measures would hit the better off, but in ways which would not impair incentives.

The scope for raising revenue from pensions and from an effective tax on the transfer of wealth should not be underestimated. CTT is currently raising about £500m a year: 20 years ago, the tax it replaced, estate duty, raised about £300m—or nearly £2bn in 1984 pounds. A low rate of of tax of, soy, 10 per cent on pension funds' investment income (which would eventually be raised to the standard 30 per cent) could probably raise up to £1bn a year without initially causing employers to increase contribution rates.

The abolition of higher rates of income tax would undoubtedly provoke bitter criticism from the Labour Party. Much of the criticism would be ill-founded, especially if the reform was financed in the ways suggested. As Mr John Kay and Professor Mervyn King demonstrate in their excellent textbook, The British Tax System, the combination of a tax-free personal allowance and a single rate of tax is much the most logical way to meet the equity and efficiency objectives of a personal tax system.

There are two main points to note. First, a flat rate would not mean that income tax ceased to be "progressive." A tax is progressive if it raises proportionately more revenue from the higher paid than from the lower paid. It is confusion between *marginal* and *average* tax rates which underlies some of the hostility to a flat rate income tax.

The disincentive effects of income tax depend on marginal tax rates — the rate paid on the last pound earned. But the progressivity of a tax depends on the average rate of tax paid because this determines the proportion of income which the taxman collects.

Suppose the tax-free personal allowance were £2,000 and the flat rate 30 per cent. Then somebody on £3,000 a year will pay £300 in tax, an average rate of only 10 per cent. Somebody on £20,000 would pay £5,400 in tax, an average rate of 27 per cent—a much higher proportion of his income.

It is often argued that a specially-low marginal rate, say of 15 per cent, is necessary to help the low paid. In a recent paper for the Institute for Fiscal Studies, Mr Nick Morris and Mr Andrew Dilnot refute this argument. They explain that a single marginal rate of 30 per cent, coupled with an appropriate personal allowance, can be "more generous to poor taxpayers" than any structure of rising marginal rates on low incomes which raises the same revenue.

The second point to note is that while high marginal tax rates on earned income damage incentives, they have done very little to reduce the disparity in income and wealth in the UK. As Mr Kay and Professor King point out in their book, comparatively few people become rich by saving out of earned income but many become rich through inheritance. Statistical studies reveal a strong correlation between dying rich and having had rich parents.

Attitudes towards inequality are changing: many no longer accept that the tax system should be used as a tool of redistribution, at least not as vigorously as it has been in the past. Those that do believe in redistribution ought to accept that a tough tax on gifts and bequests is a much better way to tackle inequality than the higher rates of income tax.

There is good reason to be suspicious of very large differentials in pre-tax incomes: too often discrepancies reflect restrictive practices and monopoly power of one sort or another. An obvious example is the extraordinarily high remuneration of stockbrokers which in the past has reflected restrictive practices as much as productivity and skill.

But using the tax system to correct large differentials in pre-tax earned incomes is questionable. First, the differentials may reflect genuine differences in productivity. Second, where they do not, it surely better to tackle the underlying abuse of market power which makes the high remuneration possible. If the market power exists, high marginal rates can anyway be circumvented by setting pre-tax pay high enough to meet a post-tax target income.

In any case, high earners, whether or not they deserve their high pay, can afford to employ the best tax accountants and exploit all sorts of quite legal tax avoidance schemes to ensure that, at the end of the day, they do not pay an onerous average rate of tax.

But while there is a clear economic rationale for earned income differentials, the same cannot be said for wealth inequalities which reflect inheritance. It is hard, especially for Thatcherites, to argue that inheritance is an efficient way to transfer economic resources: there is no reason to suppose that the sons of entrepreneurs will make particularly good businessmen.

One of the weaknesses of the present tax system is its excessive reliance on the taxation of earned income: in 1939, it should be remembered, estate duty raised 8 per cent of the total tax take; CTT today raises only a fraction of 1 per cent of revenue. CTT has been progressively weakened since 1979: over a 20-year period, a husband and wife can pass on about £½m without paying any tax, and without employing clever accountants.

A more severe capital transfer tax, if not a tax levied at a low rate, say 1 to 2 per cent, on actual wealth holdings, would be both an equitable and an efficient *quid pro quo* for the abolition of higher rates of income tax. A tougher tax on transfers would ensure that accumulated wealth, instead of remaining inert, was more quickly recycled to a fresh generation of entrepreneurs keen to use it productively.

Besides promising huge benefits in economic efficiency, a flat 30 per cent tax on all types of income would do much to close down the UK's burgeoning tax planning industry. The need for a separate and highly complex capital gains tax would disappear and with it one of the most popular tax avoidance dodges—the conversion of income into less highly taxed capital gains. Economic theory, which treats all accretions of wealth as income regardless of source, would fully support the taxation of realised capital gains as income.

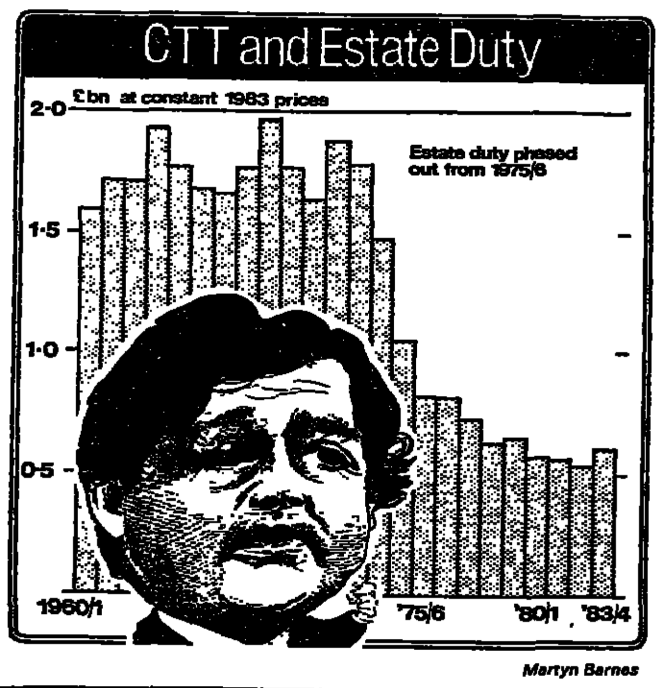
And if the rate of corporation and income tax were the same, the tax system would be neutral between different corporate forms for the first time. In the past, a lower rate of corporation tax has artificially encouraged top rate taxpayers to incorporate their businesses if not themselves. A flat 30 per cent tax on all types of income would also remove any corporate incentive to turn profits into capital gains. It would simplify considerably the tax treatment of dividends.

A flat rate income tax coupled with the effective taxation of capital gains and capital transfers would make much greater economic sense than alternative radical packages Mr Lawson might be tempted to contemplate.

The abolition of capital gains tax, rather than its incorporation into income tax, might be popular with parts of the Conservative Party but it would be an economic nonsense. It would make the tax system more, rather than less, distortionary and would stimulate even greater efforts artificially to turn income into capital gains. Weaker capital taxes would also run precisely counter to Mr Lawson's avowed aim of encouraging higher employment by shifting the burden of taxation from labour to capital.

A single 30 per cent tax on all forms of income would be a starting rather than finishing point for tax reform. Ideally, as the U.S. Treasury pointed out in its recent proposals, all income ought to be fully indexed for inflation before it is taxed. Inflation of 5 per cent in the UK means that prices double in less than 14 years. It is still causing big distortions: nominal interest payments, for example, are taxed far too heavily. But in view of his de-indexation of corporation tax last March, there is little chance that Mr Lawson will become a good micro-economist and introduce comprehensive inflation adjustments.

It would be all too easy for the Chancellor to concentrate on tax cuts and miss a unique window in this Parliament for far-reaching tax reform. A 30 per cent flat tax on all types of income would be a simple yet electrifying move bringing the tax system into line with a more entrepreneurial mood in the 1980s. Coupled with a tougher tax on wealth transfers it would increase both the efficiency and equity of the tax system.



Martyn Barnes

A flat rate income tax, plus tougher wealth transfer taxes, makes more sense than alternative radical packages

Lombard

Not a job for a gentleman

By Richard Lambert

IT IS, if you believe in following the money, a two horse race. The winner, to be announced late next month, will have the formidable task of setting up a statutory backed agency for regulating the British securities industry. And the ante post betting in the City is piling up heavily on two runners: Mr Martin Jacomb, of merchant bankers Kleinwort Benson, and—a length or two behind—Mr David Walker, an executive director of the Bank of England.

In all respects except one, both men are admirably qualified for the job. Mr Jacomb has a legal background and a distinguished record as a banker —he played a prominant part in the British Telecom issue. He is also a familiar figure in the more exalted reaches of the City, through his role on the City Capital Markets Committee, the Council for the Securities Industry and other august bodies. For his part, Mr Walker has played an invaluable role in shaping the Bank's approach to the shake-up in the securities industry. He cut his teeth at the Treasury before moving to the Bank, which must be especially useful at a time when the two institutions are all but blowing raspberries at each other.

Whoever is appointed will need the support of the City, something which either of these two men should be well capable of achieving. But the authority of the new agency will have to stretch well beyond the Square Mile. And this is the point where the two favourites start to stumble.

Broad remit

The new supergent will have a very broad remit, responsible for investor protection in its widest sense. He will also have a formidable battery of weapons at his disposal, including most probably the powers to summon witnesses, to levy fines, and to put people out of business altogether by refusing to licence their activities. So he will have to be seen as someone quite independent of any sectional interest.

Moreover, he will have to be willing to rock the boat on occasions, and to ask awkward questions. Are chinese walls really a sufficient protection against conflicts of interest within a merchant bank? What are the rights and wrongs of rights issues? What abuses are open to the discretionary fund manager? He will also have to be willing to shoot down some of the unreal arguments currently to be heard in the City about the new agency. These include the idea that its council should be self perpetuating, in order to keep politicians at bay, that it should exclude laymen, and that it should be compelled to operate on a shoe string.

City background

These characteristics will not come easily to someone who is part of the City establishment. Of course it will be said that only someone with such a City background will be able to grasp the complicated issues which arise in the securities business. That's what they used to claim at Lloyd's too, and see what a hole it got them into. As long as the new chief can recognise broad questions of public interest, he will be able to hire lieutenants to worry about the fancy footnotes.

This sort of arrangement was seen at its best in the formative days of the Takeover Panel. Operational control was in the hands of an exceptional merchant banker, Mr Ian Fraser. Behind him was a chairman, Lord Shawcross, who among other things had been chief prosecutor at Nuremberg and a Labour Cabinet minister. Years later, strong men still tremble at the memory of a dressing down at the Panel from Shawcross: his frown, they say, could open an oyster at 50 yards.

The need for such a figure will be even more pressing in an agency that will have far more powers and will deal with a far wider section of the public than ever was th case with the Takeover Panel. The head hunters should be instructed to go for very big game and to keep clear of city parlours.

Letters to the Editor

Criteria for education

From the Chief Librarian, Teesside Polytechnic

Sir, — Inevitably, there will always be an outcry against any proposal to reduce any grant from public funds. The recent attempt by the Minister of Education to make parents pay more and give more to science provided no exception, particularly since "education," in an era of declining religious faith, has assumed the role of a secular religion. For those of us old enough to remember, Joad used to say: "It depends what you mean by education."

For many years past, in institutions such as universities, polytechnics, colleges, etc, we have not been "educating" students. We have been allowing too many of them to indulge in over-specialised cramming of highly specialised subjects, most of which owe more to the paper qualifications of teachers, and their satellites, such as librarians, than to any educational or national necessity. A generation ago Snow crysallised the warnings which had earlier been given for some people in universities and elsewhere, with that unhappily named and misunderstood — deliberately? — "Two cultures." The Macmillan Government then decided to accept the Robbins Report. This not merely continued but multiplied the educational mixture as before. Thus over the past 20 years we have doubled the number of universities and converted the former technical and vocational colleges into polytechnics which, under "academic" pressures, have become imitation universities.

The result is that over half our students are turned out with degrees and similar paper qualifications in subjects which are probabl ymore interesting to them, and usually to me, than the majority of scientific and engineering subjects. Yet they contribute little or nothing to the national economy, other than to swell the ranks of the teaching profession and the various bureaucracies. The vast expansion of post-school education over a generation has obviously not brought any corresponding national economic return for the investment put into it. Nor do the non-scientific and non-technical subjetcs taught in such vast quantities in universities, etc, bear much relation to the needs of that much larger majority of the population which cannot benefit from higher education because it does not meet the narrow academic criteria demanded by the interested parties, but which stil lhas to foot the bill.

It is time for the criteria for education to be more widely, wisely and usefully determined than they are at present. If every student who wished to obtain higher education at public expense were required to undergo some study and examination in modern scientific, technological and business subjects, not only would the cause of education be better served, but there might also be a better chance of a proper return for the nation on the investment it makes.

R. Moss.
Teesside Polytechnic, Middlesbrough, Cleveland.

Civil service numbers

From the Chairman, Department of Trade and Industry, Council of Civil Service Unions

Sir,—Sue Cameron's article (December 3) on life without Mr Tebbit at the Department of Trade and Industry was slightly remiss in one or two respects. Certainly life goes on but the momentum is unlikely to be maintained if the department continues to "excel in furthering the Government's aim of reducing civil service numbers."

Since 1979, DTI has suffered the highest manpower cut of any Whitehall department (nearly 25 per cent), and as a result, services to industry have been increasingly curtailed and some regulatory functions even put to one side. Such was, and is, the level of defaults on the submission of annual returns and accounts to Companies Registration Office, for example, that the department has had to face almost unprecedented criticism from the Public Accounts Committee this year over its failure to adequately carry out its statutory duties. Although an additional 100 posts have now been added to the complement of CRO in an attempt to improve the level of comliance, it is clear that more fee revenues continue to be lost or delayed since the figure of £7m was reported to the PAC.

In the insolvency field the loss of staff, especially examiners, and the department's inability to recruit or retain replacements, primarily because of relatively low pay, has meant the insolvency service is now seriously understrength. The Government's proposals on insolvency reform therefore will need very close examination to ensure that the department is able to effectively administer and police the requirements of any new legislation. Similarly the department's plans for regulating the City and for supervising other parts of the financial community, including the insurance sector, will also require the closest scrutiny.

Against this background, the Secretary of State's agreement to a further reduction of nearly 400 staff in the size of the department by 1988, must be viewed with considerable concern. It has already become apparent that the new target makes no allowances for the take over of the radio investigation service, or for the strengthening of the regional offices to deal with the new regional policy changes, which were recently announced. In fact the department is only on course to achieving this new target because it is so poorly under-manned in certain areas. In the circumstances, unless compensating adjustments are made, this latest development can only be greeted with a mixture of dismay and increasing incredulity.

R. W. Earwicker.
Room 220, Sanctuary Buildings, 16-20, Great Sfith Street, SW1.

Not in my back garden

From Mr D. Crabbe.

Sir,—Inevitably, the inspector's report (December 11) arising from the latest public inquiry into the siting of London third airport has provoked a mixture of anger, controversy, and surprise.

Most commentators seem to have been taken aback by the principal recommendations, namely expansion at both Heathrow and Stansted. The inspector's conclusions are, however, entirely consistent with official air passenger forecasts for the London area. The rate of expansion envisaged—2.8m passengers per annum, or one Gatwick-sized chunk every nine years—means, of course, that the Heathrow and Stansted option is purely a stop-gap measure. In just 20 years time the south-east is, by the same logic, in need of yet further capacity and so ver ysoon (and 1980s) the hunt will be on, in earnest, to find a suitable site for London's fourth. (Not in my back garden, thank you very much.)

This alarm is probably a little premature, however. Since 1964, so-called airports policy, based on expediency rather than planning, has consisted of little more than knee-jerk reactions to periodically revised sets of numbers all of which have, in the event, proved to be totally wrong. We now have another set of fairyland demand projectionsin front of us. If these are, as I believe them to be, an unrealistic view of the future, then we can avoid the social and economic expense of large-scale airport expansions in the south-east and spend that amount of public money in a more productive manner.

Suppose, howesver, the opposite is to be the case, and that air traffic realy is to experience a period of sustained and unrestricteed growth, in accordance with present estimates. The search would soon be on for other sites to satisfy this demand, which in the course of time would be subject only to air tracts of open countryside would present themselves as candidates for airport development, and public meetings, protest groups, and planning inquiries would come to be a way of life for many. We will have come full circle.

David Crabbe.
143, High Street North, Stewkley, Leighton Buzzard, Beds.

The state and the people

From Mr A. Murray

Sir,—I was horrified to hear on the radio (December 12) the Chancellor of the Exchequer contradict an interviewer who had suggested that BT had belonged to "the people" before it was sold: "Not the people," said Mr Lawson, "the state." It would seem that the theory of democracy has been revised recently. What is this "state" if it is not the people? Is there perhaps a clue to the Government's thinking on this matter in the way that the right to buy BT stock was distributed, ie, 47.4 per cent for the larger UK financial institutions; 13.7 per cent for large financial institutions abroad, and 38.9 per cent for employees and those members of the public with at least £100 spare cash.

The Government, finding itself guardian of the Trustee Savings Bank has decided to sell it off too. This, apparently does not actually belong to "the state," so what is to be done? The solution found is to appropriate the assets (from the investors, presumably) by Act of Parliament, fix the price, make the sale and return the payment with the goods. In other words, the existing assets would be a free gift to the purchasers of the shares. Thus the stock is bound to go to a premium, whatever the striking price. ("A successful sale," ministers will say). I wait with some interest to see how the share allocation will be made this time round.

Andrew Murray.
102, Aldermans Drive, Peterborough.

FINANCIAL TIMES

Friday December 21 1984

UK to campaign for Saudi defence contract

By Bridget Bloom and Roger Matthews in London

THE BRITISH Government is mounting a big diplomatic offensive to persuade Saudi Arabia to proceed with a contract worth up to £1bn ($1.1bn) for the sale of Tornado and Hawk aircraft.

Mrs Margaret Thatcher, the Prime Minister, has already been in touch personally with King Fahd of Saudi Arabia, and Mr Michael Heseltine, the Defence Secretary, is ready to fly to Riyadh, the Saudi capital, for further talks.

Mr Heseltine saw King Fahd last month in a renewed effort to persuade him of the technical and political advantages of buying the Tornado rather than an updated version of the French Mirage 2000.

The anger of senior members of the Saudi royal family over recent British press reporting of both the contract negotiations and more personal Saudi matters has, however, injected a strongly political element into the proposed deal.

British officials believed last August that they had virtually clinched the deal which would initially involve the sale of 20 multinational Tornado combat aircraft and 24 Hawk jet trainers.

They believe that the deal has been put in jeopardy partly because of the French counter-offer and partly because of wider political considerations.

One area in which Mrs Thatcher could be of particular help to the Saudis is in pushing for a negotiated settlement to the Palestinian issue. The British premier is expected to raise the question during her talks this weekend with President Reagan at Camp David.

The Tornado deal is seen as critically important to Britain not only because it would boost arms exports, estimated at £3.6bn in the current financial year, but also because it would be the first, coveted export sale of the Tornado.

Arms option open, Page 5

High pay, slow growth threaten UK recovery

BY PHILIP STEPHENS IN LONDON

HIGH WAGE rises, combined with slower productivity growth, now pose the main threat to sustained economic recovery in Britain, the Bank of England said yesterday.

The warning, contained in the Bank's Quarterly Bulletin, coincided with the release of official statistics showing a slight weakening in the rate of economic growth in the third quarter of this year.

In its review of the economic outlook, the Bank highlights the cost pressures which have built up on British industry this year.

It says that a sharp rise in unit wage costs – now increasing by about 5 per cent a year compared to only 1 per cent two years ago – threatens Britain's ability to compete on international markets.

The upward pressure on costs reflects the continued buoyancy of earnings coupled with a significant fall in the rate of productivity gains, and contrasts unfavourably with the performance of other major economies.

British manufacturers have so far been sheltered from the impact of higher costs by sterling's decline against other currencies, but the result has been higher prices for fuel and raw materials, the Bank says.

"These circumstances highlight the need for moderation in the growth of earnings to facilitate a faster growth of employment," it adds.

The impact on inflation of the substantial rise in raw materials prices – 9 per cent in the year to November – had been limited by the willingness of manufacturers and distributors to accept lower profit margins.

While British inflation has been stable, the average rate in other major economies was continuing to fall, however.

The Bank says there is evidence that the underlying growth rate of the British economy has been slowing, although official statistics have been distorted by the miners' strike.

While giving no specific forecast, it appears to expect underlying growth next year of closer to 2 per cent than to the 3 per cent estimated for this year if the strike's effects are excluded.

The Bank also seems less optimistic on the outlook for inflation than does the Treasury, which last month forecast a further fall in the annual rate to 4½ per cent at the end of next year.

The picture of a slight slowing in the rate of economic growth received some support yesterday from official figures for Britain's gross domestic product (GDP) in the third quarter of 1984.

The Central Statistical Office said that its average measure of GDP grew by just under ½ a per cent between the second and third quarters to stand 1½ per cent higher than a year earlier.

The figure was heavily depressed by the coal strike, which is estimated to have reduced GDP by about 1½ per cent in both the second and third quarters, the statistical office said.

Officials believe, however, that if the impact of the strike is excluded the underlying growth rate of the economy slowed from an annual 3½ per cent in the first half of the year to 3 per cent in the third quarter.

Gorbachev gives hope of big increase in UK-Soviet trade

BY DAVID BUCHAN AND CHRISTIAN TYLER IN LONDON

TRADE between the UK and the Soviet Union could rise by 40 to 50 per cent in the next few years, Mr Mikhail Gorbachev, the senior Politburo member, told a British business audience yesterday.

Speaking of "the increased political role of business links," Mr Gorbachev said at a lunch given by the London Chamber of Commerce that such an increase could not be achieved "without well-established and stable international trading relationships."

He criticised protectionism against some Soviet goods entering the UK and "the policy of embargos and sanctions practised by someone," a clear reference to U.S. moves in recent years.

"I hope you also share this view," he told the businessmen and was applauded when he paid tribute to those UK companies which had stayed "true to their trading traditions" and fulfilled Soviet contracts against past U.S. economic sanctions.

The Soviet Union was discussing possible purchases from British companies of "machinery and equipment to the tune of many millions of roubles," he said. He mentioned two new turnkey contracts, a plastic plant in southern Russia and a polyester factory in western Siberia, which, he said, would be worth "a very solid sum" to the winners. ICI, John Brown and Davy McKee are among the international contenders for these deals.

He said, however, that the 1986-90 plan also held out opportunities for others among the 1,500 UK companies doing business with the Soviet Union. These lay in "construction or reconstruction" of facilities in chemicals, petrochemicals, food-growing and processing, engineering, machine tools and energy. British tenders, however, must be competitive in price, financing and technology.

Trade with Britain had had "its ups and downs, complications and periods of vigour," he said, noting that bilateral trade had shrunk by 20 per cent between 1979 and 1982, only recovering its 1979 level this year. Two-way trade amounted to £1.27bn in the first 10 months of this year, compared with £1.17bn in all of 1983.

Later, Mr Gorbachev had talks with Mr Paul Channon, Trade Minister. Officials said the trade talks were at Mr Gorbachev's request and were timely for three reasons. The East-West political climate was improving, the Soviet Union was making important decisions ahead of the next five-year plan and British companies were today more price competitive than for many years past.

Some measure of Soviet interest in British goods may emerge in February when the UK mounts an exhibition on behalf of agricultural and chemical companies.

Earlier in the day, the Soviet leader visited, at his request, the Austin Rover plant at Cowley, near Oxford. Cowley has installed robots on its production line. Some robotics have recently been placed on the Western list of strategic goods whose sale to the Soviet bloc is controlled.

Fillip for Anglo-Soviet trade, Page 5

U.S. clears way for cheaper Atlantic air fares

By Lynton McLain in London

SUBSTANTIAL cuts in Atlantic air fares are in prospect for the rest of the winter season to the end of March with the lifting of possible anti-trust action against British Airways (BA).

BA is expected to cut up to £40 ($46) off its current £299 cheapest return fare between London and New York as a result of the declaration by the U.S. Justice Department yesterday that it would not bring any anti-trust action against the airline for its fare proposals this winter.

The decision comes a month after President Reagan ordered the department to drop its grand jury investigation of possible anti-trust violations by transatlantic airlines.

The state-owned airline remains exposed to possible legal action in the U.S. by Mr Christopher Morris, the liquidator of Laker Airways. Mr Morris is seeking action in the U.S. courts against BA and other airlines on the grounds that they are alleged to have conspired to drive Laker off the Atlantic routes by introducing "predatory" pricing to attack Laker.

BA's proposal for a £259 "late saver" midweek advanced purchase return ticket between London and New York was rejected by the UK Government in October. The fares by BA and other airlines for the winter season were "disapproved" by the Transport Department "as the risk of anti-trust challenge to them (in the U.S. courts) had not been removed, the department said at the time.

The risk of anti-trust action arose when Virgin Atlantic of the UK, the newcomer on the Atlantic routes this summer, with one Jumbo jet and cheap fares, warned the Government that the low fares proposed by the big airlines this winter were designed to attack Virgin's existence. BA's cheapest return fare would have been £1 more than Virgin's return fare.

"The Justice Department has told us that it does not object to our proposed transatlantic fares and is paving the way for our lower fares," BA said last night.

The U.S. Civil Aeronautics Board had previously accepted BA's proposals for low fares this winter, before the UK Government turned the proposals down. BA approached the Justice Department "in the last few days to see if the low fares could be implemented," the airline said.

With this request granted, BA now has to re-apply to the UK Civil Aviation Authority for formal approval before it can sell cheap tickets during the winter.

Other airlines on the Atlantic routes were quick to respond last night. Pan Am and Trans World Airlines (TWA) both said they would "remain competitive" with British Airways and would apply to cut their winter fares as soon as possible.

The Department of Transport also confirmed that it had heard of the Justice Department's declaration, but officials were unable to say what the UK Government response would be.

Braniff results, Page 17

THE LEX COLUMN

Cocktails without much kick

Faced with a choice between the Distillers tortoise and the Grand Metropolitan hare, the London stock market yesterday found favour with neither. The Distillers performance looked simply too tortoise-like, and the shares dropped 10p to 296p while Grand Met, showing the scars of its collision with BAT in the U.S. cigarette market, fell no less than 25p to 305p.

After being outpaced by its sportier rival for the best part of a decade, Distillers has recently been straining to close the gap and, in stock market terms at least, has achieved a measure of success. Yesterday, for the first time in years, there was hardly anything to separate the multiple of the two companies. Grand Met equity was priced at 9¼ times reported earnings while, taking £220m pre-tax as a forecast for the year, the Distillers multiple was lagging only a quarter point behind.

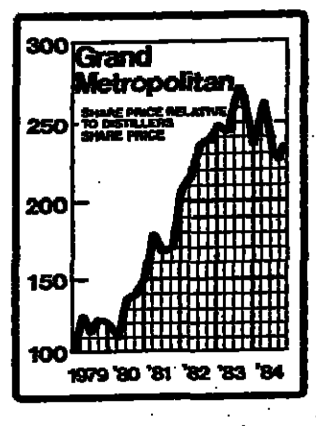
The Distillers rating may reflect the vestige of a bid premium, but this still seems a rather strange state of affairs. The Grand Met management is of demonstrably superior quality, and the company's business portfolio offers a far greater range of growth opportunities. To judge by the current cost accounts, Distillers is still shrinking quite fast.

Not that the Distillers position is disastrous. Yesterday's news of 18.5 per cent growth in pre-tax profits to £80.5m in the six months to September was perfectly respectable, even if rather dependent on currency gains and investment profits. But the company has evidently bought well with the Somerset distributor in the U.S. and is defending its position vigorously in that market.

Moreover, the results would have looked £8m better but for industrial relations disputes shunting profits into the second half.

Yet, in wines and spirits at least, Grand Met is still showing Distillers a clean pair of heels. Trading profits from this source rose by 24 per cent in the year to September, contributing to an overall 13.2 per cent increase in Grand Met's pre-tax profits, which reached £334.3m.

Grand Met admittedly has the built-in advantage of being able to find market oportunities in areas fully exploited by the Distillers sales force years ago. That said, it has proved far more inventive than its rival in building new brands and



has diversified its product base much more successfully. Last year, for example, a weak performance in UK foods and casinos, as well as in generic cigarettes in the U.S., was absorbed by strong improvements elsewhere.

Faced with a slow but apparently inexorable decline in demand for its basic product – Scotch distilleries are currently running at around 30 per cent of capacity – Distillers is now setting out on the diversification path itself and has a handsome balance sheet to support its efforts.

Whether it has the management resources to match is an open question. Even such an experienced acquirer as Grand Met comes a cropper occasionally. But, given the trends away from Scotch whisky and the poor earnings quality of its South American and Middle Eastern markets, Distillers probably has little alternative.

BET

Despite its energetic programme of disposals and acquisitions, the market still finds it hard to discern any really convincing strategy in BET's manoeuvres. A new structure may be in there somewhere, but only intermittently does its outline emerge from the mists of reorganisation. If anything, a breakdown of profits by division emphasises the disparities in quality and fortune of the operating assets in BET's portfolio. And the 8 per cent prospective yield suggested by yesterday's 22 per cent increase demonstrates that BET is still regarded as less akin to a Hanson Trust than to some diversified investment trust.

On the bright side, publishing profits quadrupled to £8.5m for the six months to September. But a strike at Thames TV combined with the sale of a half-share in Wembley Stadium to slice off almost £2m from leisure profits, while a bunching of deliveries in the second half is held largely responsible for the shortfall of more than 70 per cent in profits from electronics.

For all the ups and downs, shareholders who spotted the end of BET's profit stagnation two years ago have certainly been rewarded with a rapid improvement in the pre-tax. Overall, yesterday's interim total of £37.2m is 17 per cent ahead. However, at the earnings level, the journey has been less rewarding. Though pre-tax profits jumped by a quarter in 1983, attributable profits were up by just 6 per cent, and a similar, though less marked, discrepancy showed through yesterday – when the rise in earnings per share was just about half as rapid as that in pre-tax profits.

Eng. China Clays

Large private building materials groups are becoming rare birds in southern England, and English China Clays is understandably happy to have bagged Bradley. Goodwill of £24m over net assets in Bradley's March balance sheet of £27.1m looks a bit of a mouthful, even to a company reared on kaolin. But Bradley does not seem to have been terribly aggressive in its asset valuations, and the acquisition does fill in an important part of the map for ECC's quarries and building divisions. Despite the Charcon acquisition, ECC's borrowings actually fell in the year to September, and net debt is still only 37 per cent of shareholders' funds. Anyway, Bradley should put in profits of £4.5m for the nine months to next September, even before ECC sharpens any corporate knives on the imitation Cotswold stone.

ECC's share price rose 2p to 258p in yesterday's sour market, as much in recognition of this small diversification as the group's splendid 37 per cent rise in pre-tax profits to £63.8m. Even the leisure division, which has not been particularly popular in the City, recovered to treble its operating profit while ECC continues to earn good dollars from selling that old china clay. The fly in the ointment is the 42 per cent tax charge, which is unlikely to be down much this year. But ECC is still on a prospective multiple of under 10.

Stability key arms issue for Washington

By Stewart Fleming in Washington

THE U.S. is planning to raise fundamental questions about the role of offensive and defensive weapons in securing a stable balance of deterrence with the Soviet Union when arms control talks resume in Geneva next month.

A senior Administration official said yesterday that questions about what stability is, how it is to be established and whether it is through mutual vulnerability to a retaliatory attack, as is the case today, were among the issues the U.S. delegation would want to raise.

In remarks which echoed comments on Wednesday by Mr Caspar Weinberger, the U.S. Defence Secretary, the official indicated that questions concerning the long-term implications of the development of defensive systems designed to destroy incoming nuclear ballistic missiles before they explode – the so-called "star wars" – defensive weapons would be presented as an important element of the nuclear equation by the U.S.

The official refused to be drawn into discussing specifically the extent to which the U.S. would be prepared to trade off one form of offensive or defensive weapons system against another.

He stressed, however, that the fact that the Soviet Union had been investing heavily in defensive weapons systems, and, in the U.S. view, had an "edge" over the U.S. in this area, was an element in the emphasis the U.S. was putting on such weapons.

McMahon reappointed to Bank

Continued from Page 1

Mr McMahon, aged 57, is coming to the end of his first five-year term as deputy governor. He first joined the Bank as an adviser in 1964.

He is regarded as a highly experienced and able central banker who has taken on enhanced responsibilities since the present governor, Mr Robin Leigh-Pemberton, took over from his predecessor Lord Richardson in the middle of last year.

Within the Bank it is thought to be unfair, however, that Mr McMahon should take particular blame for the JMB affair. Although he has played an important role in developments since the bank collapsed, he does not have primary responsibility for bank supervision.

It is felt that the real reasons for the hostility to Mr McMahon relate to past economic policy clashes with the Government, and to his generally more interventionist stance which is out of line with present Treasury thinking.

With Mr Leigh-Pemberton taking a more detached and delegatory role than Lord Richardson, effectively becoming chairman of the Bank, there were few other choices to retaining Mr McMahon as what amounts to chief executive. The only other broadly skilled and experienced Bank executive director, Mr Eddie George, is at present fully occupied with changes in the structure of the Government debt market.

Two other executive directors of the Bank have also been reappointed from March 1 for further terms of office – of four years, in their cases. They are Mr Anthony Loehnis, who has responsibility for overseas affairs, and Mr David Walker, who is concerned with financial supervision and industrial finance.

Two new non-executive directors have been appointed, Mr Brian Corby, chief executive of the Prudential Corporation, thought to be the first insurance man to serve on the Bank's court, and Mr Robert Haslam, chairman both of the British Steel Corporation and Tate and Lyle.

Swiss hotel group rescued

ZURICH – A group of investors has come to the rescue of Nova-Park AG, the ailing Swiss hotel group which was nearly forced into bankruptcy this week.

A substantial group of investors has come in to restructure Nova-Park and they have provided the necessary initial funds, according to a communiqué issued yesterday.

Herr Ernst Moor, an attorney for Nova-Park, said that the group included U.S. investors but he would not give any further details.

With the entry of the new investors, the courts decided yesterday to release Nova-Park from the bankruptcy proceedings.

AP-D

Opec failure on prices

Continued from Page 1

ber, 1980, was cancelled because of the outbreak of the conflict.

The proposition, nevertheless, was significant in reflecting the perplexity of the Opec ministers. Whatever the sincerity of their commitments about limiting output and observing quotas, they have often in the past been over ruled by decisions of the real governing powers in member states taken under financial and other pressures.

One suggestion made at the morning session was that there should be a centralised system of marketing oil, but this was ruled as unfeasible.

Delegates, meanwhile, continued to discuss among themselves how the North Sea producers might be induced to co-operate with Opec in supporting prices.

● Dominic Lawson in London writes: The City of London's already nervous view of the oil market was given a further shock when it became apparent that the Kuwait Investment Office has been selling very large lines of stock in big UK oil companies.

In a half hour operation late on Wednesday afternoon about 4m shares in Shell were placed in the market, while at the same time about 3m shares in Britoil, and 1m shares each in British Petroleum and Lasmo were also placed.

Mexico delays debt payment

By Margaret Hughes in London

THE Mexican Government has told its creditor banks that it will pay them $1.2bn once the $48.6bn rescheduling package agreed in principle in September has been signed.

This is $300m more than it committed to repaying as part of the package. Mexico will not, however, be making this payment by the end of this year as had been originally envisaged.

Mexico will, however, pay $250m on the next interest payment date which falls on January 3, although it is not required to do so until the package has been finalised.

World Weather

Readings at mid-day yesterday

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Europe slow to recover

Continued from Page 1

compared with the U.S. Administration's projection of 4 per cent for next year.

Although U.S. inflation is expected to remain under control at about 3 per cent, its trade deficit is projected to widen rapidly. The current account deficit on its balance of payments is expected to rise from $42bn last year to an expected $100bn this year, reaching $143bn in the first half of 1986.

OECD analysis suggests that deficits of this size cannot be matched indefinitely by capital flows into the U.S.

Mr Henderson said that he was not sure when the fall would take place, but said: "The present situation is not one that can continue indefinitely."

One reason for this is that the OECD believes that the rising burden of interest payments to foreigners will not be matched by an increase in U.S. exports.

He believes, however, that even a 20 per cent depreciation of the dollar might not have very serious consequences for the world economy if it happens gradually, but officials fear that a dollar crash, particularly if it were accompanied by a tightening of U.S. monetary policy, could give the world economy an unpleasant blow.

Brussels acts on steel aid

Continued from Page 1

ment of BFr 24bn ($386m), which means that the company has satisfied the Commission that it has fulfilled the necessary conditions, involving both production cuts and a return to overall financial viability.

The payments to British Steel and the French state companies are merely interim payments, however, although continuing subsidy without operating aids can only be done if an extension is approved by EEC ministers at their next meeting in January.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Friday December 21 1984

National Semiconductor earnings decline 35%

BY PAUL TAYLOR IN NEW YORK

NATIONAL Semiconductor, the big U.S. electronic components manufacturer, yesterday reported a sharp 35.6 per cent decline in its fiscal second-quarter earnings, highlighting the current downturn in the semiconductor market.

The Santa Clara, California-based group said its new earnings fell to $8.5m or 10 cents a share, in the quarter ending December 9 from $13.2m, or 15 cents a share, in the same period last year. The decline came despite a somewhat smaller than expected 18 per cent increase in sales to $435.4m from $369m.

The sudden downturn in profits comes in sharp contrast to the previous quarter when National Semiconductor more than tripled its net earnings and confirms the recent downgrading of Wall Street's earnings estimates for the sector.

Mr Charles Sporck, National Semiconductor's president and chief executive, said yesterday that order rates for the semiconductor division continued at very reduced levels during the second quarter, reflecting inventory adjustments by many customers. Responding to the slowdown in semiconductor growth rates, National had taken some precautionary measures to keep its inventories and expenses in line with current business conditions.

Despite the downturn National Semiconductor said it spent $52.3m, or 12 per cent of sales, on research and development during the quarter, compared with $39.4m, or 10.7 per cent of sales, in the same period last year, while capital spending soared to $120m compared with $44.4m last year.

Mr Sporck said: "We are aggressively pursuing new designs and investing heavily in research and development. A successful semiconductor company must continue to bring innovative products to the marketplace.

"The investment National Semiconductor has made in research and development and in new facilities has positioned the company for strong participation when order rates for the semiconductor industry strengthen. Given recent order rates in the semiconductor division, however, we feel it would be difficult to maintain the company's financial performance in the near term."

The second-quarter earnings lifted first-half operating net earnings to $39.4m or 44 cents a share compared with $24.1m, or 29 cents a share, on sales which grew to $964.4m from $801.5m in the latest half year a $5m tax credit lifted final net earnings to $44.4m, or 50 cents a share.

Braniff trims loss in third quarter

By Our New York Staff

BRANIFF, the reborn but still financially struggling U.S. airline, yesterday reported a $22.25m third-quarter operating loss compared with an $26.4m operating loss in the second quarter on revenues which remained flat at $70m in both periods.

In the latest quarter the airline, which was rescued from bankruptcy earlier this year by the Pritzker family, which owns the Hyatt Hotels group and which has recently undergone a further big restructuring, said non-operating income of $10.88m reduced its net loss to $11.36m.

The third-quarter net loss also represents an improvement over the second quarter when Braniff reported a net loss of $39.9m including $13.5m in write-offs for start up costs. Since then Braniff has changed strategy, turning itself into a cut-price carrier, cutting its aircraft fleet and staff and reducing its operations and route network to conserve cash.

For the nine months Braniff has reported an operating loss of $80.1m and a net loss of $81.9m on revenues which totalled $170.6m.

Despite the continuing losses, Mr Ron Ridgeway, Braniff's new president who replaced Mr William Slattery, said he was pleased with the operational performance of Braniff during November, when the company achieved a 64.3 per cent load factor after the reduction of scheduled airline operations on November 5.

For the third quarter as a whole, Braniff said it flew 748m passenger revenue miles with a load factor of 52.4 per cent, while in the nine-month period it flew 1.65bn passenger revenue miles with a load factor of 42.7 per cent.

SHAREHOLDERS QUESTION FUTURE OF TROUBLED DUTCH GROUP

Boskalis set for Fl 200m loss

BY LAURA RAUN IN AMSTERDAM

BOSKALIS Westminster, the financially distressed Dutch dredging and construction company, told an extraordinary meeting of shareholders yesterday that 1984 losses would amount to about Fl 200m ($57m).

The half-day meeting in Sliedrecht was the first time since September, when Boskalis disclosed a Fl 69m first-half loss, that shareholders have had a chance to question management. It was demanded by the Amsterdam Stock Exchange, which has been dissatisfied with the sketchy information provided by Boskalis.

Mr Johannes van Hemert, company chairman, said the pipeline division, which has dragged down Boskalis for the past two years, would account for about Fl 125m of losses while interest charges would account for another Fl 100m.

Boskalis has fallen victim to Third World countries' debt problems, with Argentina alone owing around Fl 219m for a pipeline project that is 90 per cent-owned by Boskalis and which was finished almost three years ago. The Dutch company lost a total of Fl 47m last year.

Another extraordinary shareholders meeting was scheduled for March, when the "vital" question of continued bank financing will be answered, according to a company official. Shareholders' main questions centred on whether the more than 50 creditor banks, which have granted an indefinite moratorium on interest and principal payments, would go on supporting the company, the official said.

The creditor banks are endeavouring to form a number of syndicates to deal with Boskalis' tangled finances, according to one of the banks. Long-term loans amounted to Fl 253m and subordinated loans totalled Fl 76.4m at the end of 1983.

Mr van Hemert told about 200 shareholders that Boskalis planned no extra provisions for further losses in Argentina, Algeria and Nigeria. He explained that interest payments on loans arranged to cover the unpaid bills were included under "interest charges." The meeting was "surprisingly" peaceful, the company said.

The dredging division, on which Boskalis plans to concentrate, will post a "modest" profit in 1984, the chairman said. The Dutch company, which claims 15 per cent of the world dredging market, has been selling off its other activities as recommended in a corporate assessment demanded by creditor banks. About Fl 20m will be realised from the sale of the construction, agricultural, gas systems and electronic navigation companies.

An extraordinary meeting of bondholders is set for today, when Boskalis will ask for a three-year moratorium on interest and principal payments on a subordinated convertible bond. Payments on the 8¾ per cent bond totalling Fl 64m were due on December 1. Analysts expect bondholders will agree to Boskalis's request in order to keep the company solvent and able ultimately to repay the bond.

Bredero, another Dutch construction company, is also plagued by difficulties in pipe activities and overseas projects. Mr Adam Feddes, Bredero's president, said in a year-end message that the company expected profit to slump 35 per cent to Fl 22.50 a share in 1984 from Fl 34.80 last year. Turnover is down about 10 per cent to Fl 1.35bn this year from last year's level.

Mr Feddes attributed the earnings and sales declines primarily to weakness in Bredero's pipe-coating activities and other overseas operations. The pipe-coating division, which depends on oil and gas pipeline construction, is unlikely to recover in the short term, according to analysts, due to the depressed oil market.

Bredero said it expected turnover to recover in 1985, largely due to an investment programme aimed at diversifying and boosting the company's market share amid a stagnating construction market. The Utrecht-based company, which operates worldwide, will acquire a new group for its pipe-coating division, take a one-third stake in Nucon, a Dutch engineering company, and purchase Rietveld, a piledriving company.

Volker Stevin, a third Dutch international contractor, recently announced plans to lay off 100 employees as part of reorganisation efforts in its civil engineering division. Workers in both the Rotterdam headquarters and in overseas offices will be affected, although no reductions will be made in the U.S. and Saudi Arabia.

Scovill looks at Belzberg tender offer

By Our New York Staff

SCOVILL, a Connecticut-based manufacturer, has urged its stockholders to take no action while it examines an unsolicited takeover offer from First City Properties, a company controlled by the Belzberg family of Canada.

On the New York Stock Exchange Scovill stock, which has been active on takeover speculation, opened yesterday $4⅞ higher at $36¾ after the tender offer of $35 a share, valuing the company at around $340m.

The Scovill board controls only 4.3 per cent of the equity. The Belzbergs have entered into several hard-fought takeover battles in the U.S. recently, notably the struggle for Gulf Oil, which was eventually acquired by Chevron.

Xerox seeks buyer for disk drive subsidiary

BY LOUISE KEHOE IN SAN FRANCISCO

XEROX is seeking a buyer for its loss-making disk drive subsidiary, Shugart, according to industry reports. Although Xerox declined to comment on the future of the subsidiary, Shugart insiders confirm that if a buyer has not been found by mid-February, Xerox plans to wind down Shugart's California operations.

A one-time leader in the disk-drive industry, Shugart has failed to hold its position in the market for 5¼ inch disk drives used in personal computers.

Shugart's long-term effort to develop optical data storage systems had been expected to give the company a much needed boost, but Xerox recently spun off the division into a separate company.

The Japanese electronics group Matsushita is thought to be the most likely bidder for Shugart.

● Judge Jay Gueck has entered an order in the U.S. bankruptcy court of the District of Colorado, which permits Storage Technology, the U.S. computer equipment maker, to use up to $140m cash and receivables of Storage Technology Finance, its wholly owned finance subsidiary, Reuter reports.

The company, which filed for protection under Chapter 11 of the U.S. bankruptcy code in October, said the funds would help it to overcome the concern of customers and employees about its viability and permit it to move ahead with its reorganisation.

AT&T to hold 30c dividend

By Our New York Staff

AMERICAN Telephone & Telegraph (AT&T), the U.S. telecommunications group, on Wednesday ended speculation about a possible cut in its 30 cent quarterly dividend when its board voted to maintain the fourth-quarter payout, due on February 1, as reported in brief yesterday.

The speculation mounted last week after comments by Mr Charles Brown, AT&T chairman, to security analysts in New York. The company subsequently said that Mr Brown's comments had been misunderstood.

Finance division help for Storage Technology

BY OUR NEW YORK STAFF

STORAGE TECHNOLOGY, the troubled U.S. computer equipment company which filed for protection from its creditors under Chapter 11 of the U.S. bankruptcy code at the end of October, has been given permission to borrow funds from its finance subsidiary in order to keep operating

A Denver Federal bankruptcy judge approved the plan which will allow the Colorado-based parent company to use up to $140m in assets, including $88m in cash from its finance subsidiary.

Storage Technology said the plan should enable it to keep operating at least through the first quarter of 1985.

The approval comes after a similar proposal was thrown out last week because the judge said it was too favourable to the finance subsidiary's 18 bank creditors, who are owed about $110m, and too burdonsome on the parent company.

Under the judge's latest order the finance unit itself would be paid ahead of other unsecured creditors in the bankruptcy proceedings.

City Investing sells food unit

By Terry Byland in New York

CITY INVESTING, the U.S. financial services and manufacturing group in the process of self-liquidation, has sold Servomation, a packaged food subsidiary, to Allegheny for $225m in cash.

Servomation, which supplies vending machines and cafeterias, turned in sales of $573m last year, just under a tenth of City Investing's total revenues. City Investing said the sale, subject to a definite agreement by January 21, was "pursuant to" the liquidation plan accepted by its shareholders last week.

INTERNATIONAL COMPANIES and FINANCE

Laura Raun reports on Dutch attempts to revolutionise the car transmission business

Van Doorne limps into the New Year

VAN DOORNE TRANSMISSIE, the Dutch automatic transmission maker which has suffered a string of setbacks since its formation, is still struggling to survive.

The company has been unable to meet demand for its continuously variable transmission (CVT) because of a lack of production capacity, money and poor management.

Van Doorne Transmissie was rescued from the brink of bankruptcy by the Dutch Government last month. It is now hoping to succeed in profitably producing the CVT, a belt-and-pulley system that is as fuel efficient as a five-speed manual shift and is smaller, lighter and cheaper to make than conventional automatic transmissions.

The Dutch Government, *which owns 64.15 per cent of Van Doorne*, is keen to see it flourish. While the workforce is only 150, the valuable patents, licences and know-how tied up in the Tilburg-based company are sufficient reason for the Government to ensure that Van Doorne stays in primarily Dutch hands. The Government's commitment, however, is tempered by the political storm raging over taxpayer-financed aid to companies in financial difficulty.

At the end of November, Dutch Economics Minister Gijs Van Aardenne reached an eleventh-hour agreement with Borg-Warner of the U.S. to buy the American company's unwanted 24 per cent stake in Van Doorne for $3m. A West German creditor, Winkelmann and Panoff, has since withdrawn its court petition for a bankruptcy declaration.

Mr Van Aardenne also promised a Fl 5m "bridging" loan that will be supplemented by about Fl 10m ($2.9m) in fresh capital from the other shareholders. *Fiat, the Italian* automotive giant, owns 24 per cent and Volvo, the Swedish car maker, 11.85 per cent directly and a portion indirectly. Of the Dutch state's 64.15 per cent stake, 27.65 per cent is held via Volvo Car by which is 70 per cent owned by the Dutch Government.

The Government's recently acquired *24 per cent stake has* been "temporarily parked" in DSM, the state-owned chemicals company. Eventually it is to be sold to a new shareholder—if all goes according to plan.

Borg-Warner wanted to be free of Van Doorne because of dissatisfaction with management, organisation and financing, criticisms echoed by the Dutch corporation for industrial projects. It is understood that Mr Joep Van Ham, the managing director, who has been in the job only since the end of March, will be replaced, although no successor has yet been named.

Mr Van Ham, who previously served as marketing director, *replaced* Mr Richard Hamstra-Pik, who was considered technically capable but not commercially minded enough. As recently as the beginning of this year, Mr Hamstra-Pik said he expected the company to produce annually 1m of the unique steel belts with five years.

Van Doorne does not actually produce the whole transmission, *although that the original idea*, but only the all-important flexible steel bands and conical pulleys. The parts then are delivered to customers, including Ford, General Motors and Fiat, which incorporate the components into their own transmissions.

The Dutch company has Fl 100m of orders on its books for next year from major motor groups who desperately want to put Van Doorne parts in their 1986 model cars.

Last summer, however, it was revealed that the company in south Holland could not produce the parts on a mass scale and Fl 40m was needed immediately to upgrade the plant. However, Van Doorne cannot meet the July 1 1985 deadline for the supply of parts and is negotiating for a postponed delivery date.

Van Doorne Transmissie originally was established in 1972 by Mr Hub Van Doorne, the inventor of the so-called "transmatic," and the Dutch government later took a 25 per *cent share. In 1978 Fiat and* Borg-Warner each acquired a 24 per cent, Fl 14.5m stake, in hopes of exploiting the promising patents and technology developed by the Van Doorne family over 25 years.

But development costs of the transmatic skyrocketed, and in 1980 Van Doorne Transmissie lost a significant source of funding for the cvt. The company was forced to quit supplying steel tubes to Pakistan, which apparently used them to develop uranium enrichment capacity. Another blow came in 1982, when Borg-Warner vetoed a plan to assemble the transmatic parts in a British plant.

Van Doorne still hopes to eventually make the whole transmatic itself and fulfill the dream of its inventor. But by that time the world's major car manufacturers, who have been waiting for years for Van Doorne transmission, will be making their own cvts.

CVT production problems embarrass the world's car makers

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

Ford and General Motors have already begun major investment programmes in Europe for the production of continuously variable transmissions (CVT) using component from Van Doorne Transmissie in Holland. So the *production problems at Van* Doorne have been embarrassing for the U.S. groups.

Fiat of Italy and Fuji Heavy Industries, the Subaru car maker of Japan, also have vested interests in the CVT *because* they, like Ford, intended to have small cars using CVT on the road by now.

GM is currently spending $180m at its automatic transmission factory in Strasbourg, France, to prepare for production of its version of the cvt which will use electronic controls and be fitted to GM cars with engines of over 1.6 litres. GM hopes to sell the cvt to other manufacturers too.

Output was scheduled to begin next year but in *September GM told the Strasbourg* employees that, because of difficulties with the components, production would be delayed to the autumn of 1986.

Both GM in the U.S. and Ford remain enthusiastic about the CVT concept—"you could say the delay has made us even more enthusiastic, if anything," a Ford of Europe executive maintained.

This enthusiasm stems from the trials Ford has carried out with 20 Fiesta cars fitted with prototype cvts. Each car covered between 75,000 and 100,000 kilometres during the one-year trials which ended last March.

Ford's investment in the CVT will also be in France—FFr 1bn ($105m) at its Bordeaux *transmission plant* to produce its version of the cvt which, confusingly, the company dubs the "CTX" (continuously variable transaxle).

Fiat is to use the Ford CTX in a Uno car which, like the Fiesta CTX, should have made its first appearance in the summer of 1984.

In Japan Fuji (Subaru) has been working on a CVT suitable for cars up to 1 litre. All the car makers intend to buy belts and pulleys from Van Doorne to fit in their own particular automatic transmissions.

In operation the CVT provides a continuous transition between the lowest and highest ratios without any stops or jerks. *Although the principle is similar to that of* the original DAF Variomatic, the new CVT is mounted in unit with the engine like a conventional manual or automatic gearbox.

Instead of the rubber belt used by the old Variomatic, the CVT uses a new kind of metallic belt made from a large number of sections. It runs over two variable diameter pulleys which become smaller or larger according to driving demands. Hydraulic clutches are used to take up the drive from standstill and to select forward or reverse.

In spite of the enthusiasm of Ford and GM in the U.S., other manufacturers have rejected the CVT concept, partly on the grounds that it still costs more than a manual transmission yet returns only about the same fuel consumption figures.

Renault and Volkswagen are co-operating to develop and produce a new four-speed automatic transmission which is scheduled to make its debut in 1985. Peugeot is also reported to have rejected the CVT concept in favour of a four-speed automatic produced by ZF of West Germany.

Liquidation of Deak Perera HK unit sought

By David Dodwell in Hong Kong

A GROUP of depositors in Deak Perera (Far East), the Hong Kong-based foreign exchange and gold dealing subsidiary of the beleaguered Deak Perera group of the U.S., yesterday called on the Hong Kong government to liquidate the company.

The move came after talks with a Singaporean businessman on a possible rescue of the subsidiary collapsed on Wednesday, with no other "white knight" in view. The depositors have also been advised by lawyers that they would be unlikely to succeed in a winding-up petition of their own because they might not qualify under Hong Kong law as creditors.

Deak Perera in the U.S., which operates as a finance company as well as a gold and foreign exchange dealer, recently filed for protection in the U.S. while reorganising under Chapter 11 of the bankruptcy code.

Executives in the company have since then been trying to sell not only Deak Perera (Far East), but also Deak Perera Finance, a registered deposit taking company in Hong Kong, Compass Travel, a Hong Kong-based travel agency, Deak & Co (Macao), a licenced money changer in the Portuguese colony 40 miles west of Hong Kong on China's southern coast, and banks in Switzerland and Austria.

Hong Kong's Banking Commissioner two weeks ago suspended the licence of Deak Perera Finance on the grounds that it was being managed "in a manner detrimental to depositors." Deak's operation in Macao has also been closed.

The discovery that Deak Perera (Far East) had been receiving deposits and transferring them to Deak & Co (Macao) — though neither company was licenced as a deposit taker — could prove a serious embarrassment to the banking regulatory authorities in Hong Kong (at a time when efforts are being made to tighten regulation) and in Macao, where the financial authorities are attempting to build the territory up as an international financial centre.

The group of Hong Kong depositors, which have between them funds outstanding with Deak Perera (Far East) amounting to about US$30m, have until yesterday held back from initiating winding up proceedings in the hope that a company rescue was under negotiation. Lawyers have told them that because most used Deak Perera (Far East) as an agent to transmit funds to Deak operations overseas, they would be defined not as creditors of the Hong Kong subsidiary but of companies abroad.

This has left them with no alternative but to press the Hong Kong Government to move. Both the Registrar General and the Financial Secretary in the territory could ask a court to order liquidation if they believed the company was involved in unlawful activities. Neither official has yet made any move.

Mazda Motor increases net earnings by 15.7%

BY YOKO SHIBATA IN TOKYO

MAZDA MOTOR (formerly Toyo Kogyo), Japan's third largest car maker, has reported *an increase in parent* company pre-tax profits by 22.8 per cent to Y55.5bn ($224m) in the fiscal year ended October 31. Full year net profits were Y29.6bn, up 15.7 per cent, on full year sales of Y1,431.8bn, up 5 per cent.

The improvement in earnings reflects higher sales of upgraded models with high added value and rationalisation efforts.

Mazda sold a total of 1,331,541 units, including 182,020 knocked down sets to customers including Ford, down by 0.8 per cent from the previous year. Passenger cars comprised 66.9 per cent and commercial vehicles 33.1 per cent of the total turnover.

Domestic car sales declined by 9.6 per cent to 367,805 units. As a result of weak demand ahead of the model change of the Familia which comes into effect next month. This was however, offset by brisk overseas sales (up by 3 per cent).

Mazda is expected to report record sales and profits for the tenth consecutive year. Full year sales are projected at Y1,520bn, up 6.1 per cent, pre-tax profits at Y57bn, up 3 per cent and net profits at Y30.5bn, up by 3 per cent. The company increased its dividend by Y0.5 at the end of the previous year and plans to pegg it to Y7.0 for the full year.

Winsor Industrial ahead

WINSOR INDUSTRIAL, Hong Kong's biggest textile manufacturer, has reported a 29 per cent increase in sales and a 41 per cent increase in net, unaudited profits for the six months ended September 30, AP-DJ reports from Hong Kong.

External sales, buoyed by strong U.S. demand for textiles and garments of the sort Winsor produces, rose to HK$1.16bn (U.S.$ 148m) from HK$900.9m in the same period a year ago. Interim profits rose to HK$134.6m from HK$95.3m.

Per share earnings rose to 70.8 cents from 50.1 cents a year earlier.

Hooker rejects partial takeover bid by Sunshine

BY LACHLAN DRUMMOND IN SYDNEY

A PARTIAL takeover offer was launched yesterday for Hooker Corporation, the Australian land *development and property* group, valuing it at A$ 225m ($U.S.$ 187.5m).

The bid, for 18.4 per cent of the company's capital, came from Sunshine Australia, which in recent months has established a 19.5 per cent stake and is now seeking to take its holding to 38 per cent.

The A$ 1.75 a share offer from Sunshine, controlled by Mr Lee Ming Tee, a Malaysian businessman who has burst on the Australian financial scene in the past 12 months, was immediately rejected by directors of Hoker. They said it was inadequate when set against a net asset backing of A$ 2.37 a share, *earnings potential and because* the bid offered no premium over market prices.

Sunshine is already Hooker's largest shareholder, but was pointedly passed over for a seat last week when Hooker enlarged its board of directors by two.

Sunshine had initially been seen as a friendly investor, but according to Hooker had reversed its position by saying it would seek to assume gradual share control without a bid by adding to its stake at the permitted 3 per cent each six months.

Sealion issue successful

SEALION HOTELS, the Singapore company which owns the Hyatt Regency hotel and is controlled by Mr Yap Yong Seong, the Malaysian tycoon, has successfully raised S$62.1m (U.S.$28.6m) through a rights issue and will use the proceeds to pay off bank borrowings, writes Chris Sherwell in Singapore.

By the closing date last Saturday, aplications had been received for 106 per cent of 39.2m new shares offered. The shares, offered on a one-for-one basis, were priced at S$1.60. Together with a three-for-two bonus issue, the exercise increase the company's paid-up capital from S$39.2m to S$137.2m.

Mr Yap, popularly known as "Duta" Yap, directly or indirectly owns 65.5 per cent of Sealion.

INTL. COMPANIES & FINANCE

Citroen chief warns of bigger loss

BY PAUL BETTS IN PARIS

CITROEN, the troubled car manufacturing company owned by the private French Peugeot group, is expected to report heavier losses this year compared with the FFr 1.1bn ($115m) deficit it registered last year.

M Jacques Calvert, chairman of both the Peugeot group and Citroen, said yesterday that Citroen had set the basis of its recovery in 1984. He warned, however, that the car group would have to continue to reduce its workforce in the next three to four years by around 3 per cent a year.

Citroen cut its workforce by 6,000 this year to 37,000 as part of a major restructuring to enable the company to return to the black. M Calvet said yesterday that his target, admittingly ambitious, was to see Citroen break even in 1985.

Following the recovery of the Peugeot car division, spearheaded by the commercial success of the Peugeot 205 supermini, M Calvet said he expected the Peugeot group as a whole to show a small profit next year.

The group is expected to incur another loss this year although substantially smaller than the FFr 2.5bn deficit of 1983.

M Calvert disclosed that Citroen had made investments of FFr 1.8bn this year, compared with FFr 1.1bn in 1983. He said the company would continue to pursue this rate of investment in the future.

Peugeot has asked for FFr 2bn in soft loans from the Government's so-called industrial modernisation fund to help finance investments of FFr 2.8bn for the launch of a new Citroen mini code named "ZA." M Calvert confirmed yesterday that these investments would be focused essentially on Citroen's plant of Aulnay-sous-Bois, near Paris, where the new small car will be built.

M Calvert also said that some of Citroen's older plants in the Paris area would not be kept open indefinitely. These include the components facility of Nanterre, the foundry of Clichy and the Levallois car plant where the small 2 CV is assembled.

Big Italian insurance holding changes hands

BY ALAN FRIEDMAN IN MILAN

BI—INVEST, the Bonomi family's Milan-based group, yesterday sold its controlling 65.61 per cent share in Milano Assicurazioni, a major Italian insurer, for L140.8bn ($73.7m).

The deal will continue the radical change in the pattern of ownership of Italy's insurance industry which began earlier this autumn when West Germany's Allianz bought effective control of RAS, Italy's second largest insurer.

Of the 65.61 per cent stake, 60.61 per cent was bought (for L130bn) by La Fondiaria, a wealthy private Florence-based insurer which was itself 40 per cent owned by the Bonomis.

La Fondiaria now becomes Italy's third biggest insurer, with L1,600bn ($837m) of premium income. Milano assicurazioni itself contributes L779bn of premiums to this total.

The remaining 5 per cent of Milano was sold to Cariplo, Italy's leading savings bank, for L10.8bn.

Bi—Invest, in a move designed to realise still more cash in order grapple with its L316bn or debt, also sold 15 per cent of its own shares in La Fondiaria for a total of L77.5bn. This brings the Bonomi stake in La Fondiaria down from 40 to 25 per cent.

La Fondiaria's shares sale included the purchase of 5 per cent by Mediobanca, the merchant bank which now has a total of 15 per cent of La Fondiaria. A further 5 per cent was sold to a consortium of Florentine investors, and 4 per cent of La Fondiaria was sold to Cariplo.

● ALITALIA is to request a 50 per cent increase in its capital, from L280.8bn to L421.2bn ($220.4m). The airline, which is owned by Italy's IRI state holding group, is to formally submit the capital plan at a special meeting called for February 25.

Thyssen engineering arm shows sharp profits fall

BY PETER BRUCE IN BONN

PRE-TAX profits at Thyssen Industries, the engineering arm of the Thyssen group, West Germany's biggest steel producer, have plunged dramatically, from DM 126.7m to DM 18.4m ($6m) in the year ended September 1984.

As a result, Thyssen Industrie said yesterday it would be able to make over only DM 4.3m to the parent company for 1983-1984, compared with DM 55.4m a year earlier.

Dr Werner Bartels, chief executive, said the setback stemmed mostly from difficulties in the shipbuilding division, Thyssen Noordseewerke, its insulation materials business, Thyssen Schalker Verein and in its metal forming operation, Umformtecknik.

Warning that further redundancies would have to be made at Noordseewerke's Emden yard, Dr Bartels said shipbuilding had lost DM 60m in the year. The Government of Lower Saxony has had to come to the yard's aid in the past month, mainly because orders for bulk carriers have dried up.

He said he was confident, however, that a gradual restructuring of Thyssen Industrie's existing businesses would revive the group.

Sodra Skogsagarna to buy back state's stake

BY KEVIN DONE, OUR NORDIC CORRESPONDENT IN STOCKHOLM

SODRA SKOGSAGARNA, is to buy back the 40 per cent of its equity currently owned by the Swedish state in a deal worth some SKr 750m ($84.5m). The Swedish Government intervened in 1979 to rescue the group from the brink of financial collapse by pumping in SKr 500m of new equity capital.

The company, a co-operative group owned by around 25,000 forest owners in southern Sweden, is the leading Swedish supplier of market pulp with 75 per cent of sales going to exports. It ran into serious difficulties in the late 1970s when an ambitious investment programme in a new SKr 1.2bn pulp plant coincided with the steel recession in the pulp and paper industry.

From 1977 to 1982 losses before tax and allocations to reserves totalled SKr 1.14bn. She group bounced back last year to show a profit of SKr 352m and this year it expects a profit of around SKr 1bn.

Under the 1979 rescue agreement, the company maintained an option to buy out the state interest, but since Novembar last year the two sides have been unable to agree a price.

Extracts from the annual reviews by the chairmen of the Orange Free State gold mining companies administered by Anglo American Corporation.

"Consolidation will result in more gold being produced."

Mr. E. P. Gush, chairman of Free State Geduld, President Brand, and Western Holdings; and Mr. G. S. Young, chairman of President Steyn.

Consolidation

The Anglo American Corporation, as administrative and technical advisers to the Orange Free State gold mines, namely Western Holdings, Free State Geduld, President Steyn and President Brand has investigated the feasibility of combining all these mining operations under a single company so as to optimise the exploitation of the total ore reserves, maximise the utilisation of the capital assets and create a stronger financial base. This would lead to more efficient operations in this area and as a consequence, the lives of the mines could be extended.

When the mines were first developed in the early 1950s the lease areas were established on the basis of the existing farm boundaries rather than geological structures. This worked satisfactorily so long as the mines were able to select where to exploit their leases. However, now that the remaining *higher-grade Basal reef reserves are relatively limited and options in regard* to where to mine are few, it is increasingly difficult for the mines to maintain productivity. Projections show declining grades and decreasing gold output with steadily increasing real costs as the mines grow older. It is our view that unless all the operations are consolidated it will prove impossible to exploit each individual mine in the most effective way. This in turn will mean that as each mine closes down prematurely, areas of gold-bearing ground will be irretrievably lost. Consolidation, however, will result in more gold being produced as not only will boundry pillars be extracted but, in addition, marginal areas which previously could not be mined, will now become profitable to mine. Furthermore, at a later stage, the possibility of including the Jeannette mining lease area in the enlarged complex will be considered.

It is also becoming increasingly difficult to optimise production from the remaining ore reserves of the individual lease areas because the existence of separate corporate entities prevents the optimum utilisation of the capital assets. By being able to mill ore from the available shafts in the plant or plants most conveniently or logically located, the capital assets, in which large amounts have been invested, will be able to operate for many years longer at maximum capacity and efficiency.

Furthermore, the highly volatile gold price has necessitated the periodic suspension of work on major capital projects. This is costly and could be overcome to some extent if new projects were undertaken by a consolidated entity which would be able to provide greater financial support in sustained periods of low gold prices. Consolidation would also facilitate the generation of sufficient funds for the development of a number of new areas both in, and contiguous to, the present leases.

Apart from the advantages already mentioned, the management structure will be rationalised based on logical operational units. This should result in several synergistic benefits.

The board of directors of all the companies involved, taking all the above aspects into consideration, have agreed that application should be made to the Mining Leases Board for consolidation of all the lease areas into one. The proposals will be subject to ratification by the Minister of Mineral and Energy Affairs and shareholders. Further public announcements, including the basis of consolidation, will be made in due course.

Gold and Uranium markets

The outlook for gold seems to be more promising. Current levels of strong physical demand, particularly in eastern markets, together with improved jewellery demand in the US should lead to a better balance of bullion supply *and demand. Furthermore, the complex inter-relationship of the value of the* dollar, US interest rates and inflation, and its likely impact on investor behaviour suggests that, increasingly, alternatives to dollar securities will be sought.

Nevertheless, in the light of the experience of the past four years, any price improvements could be seen, initially at least, as selling opportunities by many holders of gold. This will tend to limit such advances. However, we believe that the weight of market sentiment is expecting a significant change in economic fundamentals. This could lead to a reversal of this four-year trend even aside from possible crises on the international monetary and banking front. *It is doubtful however, that given the current high rand price* of gold, there will be a further material improvement in the price received during the current year.

The improvement in spot-market prices of uranium referred to last year has been reversed as a result of sales of inventory originally destined for plants where construction has been stopped, and for others that have been delayed. In addition, certain producers have been aggressively marketing uncommitted production. In the long-term contractual market in which the companies operate, prices remain under pressure.

Of greater concern is the increasing pressure from utilities to renegotiate contracts so as to defer, or even cancel, deliveries because of their excess inventory positions. This is, of course, all part of the inventory adjustment process which may run its course before any significant improvements in market conditions will become evident.

SUMMARY OF OPERATIONS

	Free State Geduld		President Brand		President Steyn		Western Holdings	
	1984	1983	1984	1983	1984	1983	1984	1983
Tons milled (000)	4314	3849	3532	3505	3819	3980	9136	8995
Yield – grams/ton	6.19	7.00	6.52	6.87	6.55	6.55	4.23	4.48
Production – kilograms	26691	26949	23016	24081	25017	26080	38607	40324
Cost – rand/ton milled	75.25	67.06	58.92	50.92	61.23	51.65	46.31	41.49
rand/kilogram produced	12162	9578	9041	7411	9347	7882	10959	9256
Revenue per kilogram – rand	15719	15377	15590	15443	15736	15331	15813	15319
Gold – profit (R000)	96145	157348	151765	194473	161026	195432	169091	246172
JMS attributable profit (R000)	3596	5730	30266	24378	10445	19892	3581	6649
Dividends – cents per share	365	455	350	510	450	535	565	680
Capital Expenditure (R000)	53091	68790	116840	64724	44299	38652	106402	99631

London office of the companies: 40, Holborn Viaduct, EC1P 1AJ.

Overseas operations bolster GrandMet

Grand Metropolitan's U.S. and international operations accounted for an increased 64 per cent share against 57 per cent of total group trading profits. These rose from £407m to £443.9m over the 12 months to September 30 1984.

The increased share reflects sterling's decline against the dollar, the strength of the domestic economy in the U.S., and a £16.4m fall to £160.4m in net returns from UK operations.

At home, brewing activities generated a £3.6m increase in profits to £76.6m, but returns from food were virtually halved from £31.5m to £16.4m following a further erosion of margins on sales of manufactured dairy products. Consumer services contributed £6.2m less at £67.4m.

Overseas, consumer products in the U.S. and wines and spirits worldwide both showed 34 per cent increases to £122.3m and £129.3m respectively, while International Hotels' improved by 17 per cent to £31.9m.

Grand Met's overall taxable result came out at £334.3m, against £295.2m, after interest charges of £109.6m (£111.8m). Turnover rose from £4.47bn to £5.06bn.

There is an effective 15 per cent increase in the final dividend from 4.79p to 5.5p, which raises the total distribution to 9.2p (8.02p). Earnings per share rose from a restated 27.8p to 32.4p.

Of domestic operations, Mr

Mr Stanley Grinstead, chairman and group chief executive, of Grand Metropolitan

Stanley Grinstead, group chairman, says that in a year of little or no growth in the beer market, brewing continued to benefit from developing brand strength and a drive for greater efficiency. An increase in trading profit was achieved, which, he says, more than made good the loss of earnings arising from the sale of the soft drinks business.

There was a near £10m fall to £35.4m in the trading profit of consumer services in the second half. This was, he says, attributable in the main to significantly lower contributions from two of its operations, offset to some degree by an improved performance from licensed retailing activities.

The gaming operation faced "increased competition" from new and relocated casinos in London and was unable to maintain its trading profit at the exceptional level of a year ago.

The international services operation, he points out, had to accept much lower margins for renegotiated contracts in the Middle East and made a small trading loss.

Commenting on the sharp fall in trading profits from foods, Mr Grinstead says that cheese margins in particular felt the effects of over-production on the continent, with selling prices under pressure throughout the year and costs held at artificially higher levels in a controlled market for milk supplies in the UK. During the summer, following the introduction of quotas, a shortage of milk for manufacture reduced throughput at many creameries to uneconomic levels, he adds.

In the U.S. prospered as a result of the strength of their domestic economy and performed satisfactorily."

The cigarette operation continued to profit from the growth of the generic and private label market and earned over 40 per cent of consumer products' trading profit of £122.3m (£98.4m). In July, however, a competitor supported its entry into the generic market by offering customers substantial discounts in the form of promotional price incentives.

"In the bout of severe price competition which followed, the profitability of the cigarette operation will remain under pressure until pricing policies become 'more realistic'" and warns that it is not expected to make a significant contribution to trading profits in the first half of the current year.

Trading profits of the U.S. operations benefited on translation into sterling from the effect of the fall of 10.4 per cent in the average value of sterling against the U.S. dollar.

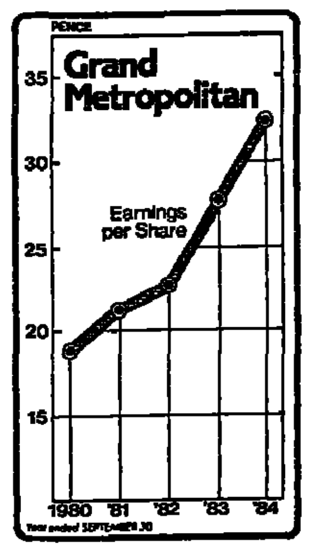
Although net borrowings were contained at about the level of a year ago, the benefit to interests costs of somewhat lower rates of interest on borrowings in sterling and other European currencies were largely absorbed by the high sterling cost of interest payable in U.S.$. The gearing ratio, of net borrowings to shareholders' funds, was about 54 per cent at September 30, states the chairman, against almost 60 per cent a year earlier.

Profits and losses of overseas subsidiaries were translated into sterling at weighted average rates of exchange for the year.

It is estimated that the net effect of extraordinary items will be a charge of about £4.2m, comprising profits on sales of property and investments of £14.4m and losses arising from total closures and other material capacity reductions of £18.6m. In addition, a charge of £30m will be made in respect of deferred tax arising from the recent revisions to the rates of UK corporation tax and tax allowances on capital expenditure.

Currency translation differences other than those arising on the settlement of trading transactions, previously treated as extraordinary items, are now taken direct to reserves and are estimated to amount to a credit of £45.6m.

See Lex



BTR's Australian arm pays £64m for ACI's Nylex

BY LACHLAN DRUMMOND IN SYDNEY

BTR Hopkins, the Australian subsidiary of the BTR Group, is to pay A$90m (£63.8m) to take over the Nylex plastics extrusions and mouldings business from ACI International.

The purchase price includes repayment of an A$30m loan BTR Hopkins, 67 per cent owned by BTR, is taking on an operation with annual sales of around $250m, but which has only recently returned to modest profitability.

BTR Hopkins has some plastics businesses in Australia, in addition to its operations in rubber belting, hoses and engineering. It is believed to have opted for Nylex as a means of establishing a more stable cash flow than is provided by its resources orientated business, which generates annual sales of over $100m.

ACI has been carrying out a steady disposal programme in the past 15 months, and this year will have raised around $200m from asset sales as it redirects itself to its core building products and glass interests. It bought Nylex only two years ago for almost $80m.

Nylex supplies polymer-based products to the agricultural, automotive, construction, materials handling, household, medical and defence industries.

Sales for the year ending March 31, were $253.6m, and profits before parent company charges, interest and tax, but after exceptional costs relating to rationalisation, were $55m.

The purchase will include some freehold properties connected with the business and a 60 per cent stake in Nylex (Malaysia).

MJI counts cost of expansion

MJI Corporation, formerly known as Maurice James Industries, plunged to a pre-tax loss of £837,000 in the first half of this year, against a £501,000 profit. It blames the downturn on the poor performance of two companies acquired last year.

Announcing a major internal shake-up to cope with its problems, the company yesterday expressed "disappointment" with the performances of the Roche group, a mechanical handling and shop-fitting company bought in September 1983, and Church and Co, a store fitting concern, acquired last December.

The company said it was considering action against certain parties and would be claiming substantial reimbursement under the warranties given to the company at the time of the Church acquisition.

It added that Mr John Chiswell, joint managing director, who held a similar post at Roche at the time of the acquisition, had resigned from the MJI board. Mr Gordon Wilson, the joint managing director in charge of finance, quit MJI last January only three months after joining the company from Roche.

The company said its main activities of waste disposal, mechanical handling, property and electrical contracting had enjoyed good trading results and were becoming increasingly profitable.

But these profits had been eliminated by the trading losses and write-offs of the poor performers, together with a concomitant heavy interest burden.

The company's turnover in the six months to June totalled £9.286m (£8.494m). Interest payments were £507,000 (nil), there was a tax credit of £250,000 (£51,000 charge) and an extraordinary debit of £740,000 (nil), representing losses and tax liabilities on disposals. There was a loss per share of 2.62p (2.3p earnings) and the interim dividend is being passed (0.6p).

The trading losses include £300,000 of exceptional write-offs by Roche Mechanical Handling and Croydon Display following a re-assessment of fixed assets and bad debt provisions.

MJI said that when "adverse trends" in its acquisitions had become clear it immediately embarked on a campaign of disposals. Losses had been stemmed and should be eliminated when the disposals plan was completed in the next few months.

However, the group was unlikely to return to profitability before 1985 and it was was now highly geared, "a situation that causes concern." It was working closely with its bankers and its auditors had a formal financial review.

Mr M. Calhoun has been appointed finance director. The company had been without one since the departure of Mr Wilson.

Third quarter slip for Minet

THIRD QUARTER taxable profits at Minet Holdings dipped from £5.65m to £4.81m, but the running total for the nine month period to September 30 1984 rose by 10 per cent from a restated £16.05m to £17.67m, in line with the adjusted half-year increase.

The directors of this Lloyd's and general insurance broker say that in a period of good underlying growth in profitability, two factors have had an impact on the performance.

Firstly, in the broking group over the past few years, a cautious approach to reserving for irrecoverable debts has been adopted. However, in the light of experience this year, further reserving has been necessary, adding £2.2m to the rise in expenses.

With regard to the underwriting group, the general trend in Lloyd's syndicate results, together with the increased costs in running the Richard Beckett Underwriting Agency, have resulted in a £0.9m reduction in profits from this sector.

The directors add that in view of the positive factors occurring in the insurance market, they look forward to 1985 with confidence. In the full year 1983, the result was £20.39m.

Turnover in the third quarter rose from £14.27m to £17.56m to give an increase of 20 per cent over the nine months, from £47.86m to £57.27m, having stood at £83.02m for 1983.

Dividends totalled 5.18p net per share last year, and an unchanged 2.73p interim has been paid so far in respect of the current term.

Currency factors have, on the whole, been favourable during the nine-month period. It is estimated that profits have benefited by approximately £1.6m. Adjusting for the effect of currency, the underlying growth in brokerage is estimated to be some 17 per cent, compared with 23 per cent, including currency.

The accounting date of a subsidiary company has been changed from end-September to end-December. The results under review therefore include a 12-month contribution from that company.

The comparative figures have been restated to exclude Lloyd's Agency income amounting to £1.62m, which was reversed at the 1983 year end.

● comment

On the face of it, Minet looks as if it has been marking time. The 10 per cent rise in taxable profits was almost entirely covered by currency gains, yet the market sent the shares up 38p to 255p. Trading in Minet's stock is almost bound to have a speculative element with two major U.S. shareholders standing in the wings, although suggestions yesterday that The St Paul Companies had placed their 26 per cent stake were, according to Minet, wide of the mark. At least some of the seasonal cheer comes from an underlying 17 per cent growth in brokerage income, proof at last that more business is coming the way of the London market. Rates are still sluggish, however. The 17 per cent rise in expenses reflects a 4 per cent increase in staff numbers and a much larger jump in salaries as Minet gears up to tackle what look to be highly competitive conditions next year. For the current year, a group pre-tax out-turn of £23m still looks on the cards, up from the previous 12 months' £20.4m.

ECC spends £51m to expand in housing

By Alexander Nicoll

ENGLISH CHINA CLAYS, the clay and quarrying group, is paying £51m to expand its housebuilding and construction materials businesses after achieving a 37 per cent increase in pre-tax profits in its latest financial year.

ECC, of St Austell, Cornwall, is buying a Wiltshire-based private company, Edwin H. Bradley Holdings, for cash.

As a property developer and housebuilder, Bradley has played a significant part in the post-war development of Swindon. It builds nearly 60 homes per year, and will thus complement ECC's construction activities—it builds about 700 a year, mainly in the South-West.

ECC's building materials business has already been expanded this year through the £17m purchase of Charcon, a Midlands concrete flag-maker, with quarries in Wiltshire and Gloucestershire. Bradley makes high added-value concrete blocks for the building industry and do-it-yourself market, including Bradstone—op-market reconstructed Cotswold stone.

Three members of the Bradley family, including the chairman, Mr Richard Bradley, have resigned from Bradley's board but have each signed two-year consultancy agreements. Other directors of Bradley have resigned.

Bradley had pre-tax profits of £4.5m in the year ended March 31, 1984, on turnover of £44m, and is estimated to have had profits of £3m in the six months to September 30. Net asset value at end-March was £27.1m.

EEC yesterday reported a rise in pre-tax profits for the year ended September 30 to £63.77m from £46.47m, on turnover up 23 per cent to £604.2m from £490.5m.

Figures for the clay and transport and services divisions—put together this year because the services are provided mainly to the clay division—show a 43 per cent increase to £45.8m, while profits from quarries are up 16 per cent a t £18.38m, construction up 19 per cent at £3.76m, leisure up 179 per cent at £2.7m and international drilling fluids down 21 per cent at £3.9m.

Group pre-tax profits are after group expenses and net interest costs of £10.67m (£10.22m).

Tax rose sharply to £27.08m from £18.54m, including UK tax of £23.8m against £13.97m, partly because of reduced capital spending qualifying for allowances, and lower rates of allowances.

In addition—and not included in the profit-and-loss statement—there is a £24m extra provision for deferred tax taken from reserves because of the 1984 budget cuts in capital allowances.

After-tax profit was £36.69m (£27.93m), but ECC also had an extraordinary credit of £12.98m in the latest year because a Dutch affiliate sold its operating subsidiaries, and EEC was able to recover trading losses and goodwill previously written off.

Attributable profits was £49.67m (£27.93m), and earnings per share 22.63p (17.23p).

EEC is paying a 6p final dividend, making a total of 9.6p for the year, an increase from last year's 8.75p.

See Lex

Distillers up £13m but tax erodes bottom line advance

THE INCREASE in taxation suffered by Distillers following the withdrawal of stock relief has almost wiped out an advance of £12.6m made in the pre-tax profit for the half-year ended September 30 1984.

Earnings show a marginal rise from 12.2p to 12.45p and the interim dividend is held at 4.5p net. The directors were expecting a comfortable increase in pre-tax profit over the depressed first half of 1983, and now confirm their earlier forecast for the year of at least a moderate improvement over the £192m achieved in 1983-84, when the final dividend was 9.15p. The volume of Scotch whisky sales will be lower.

In their report last August, the directors warned of the "serious disadvantage" that the Scotch whisky industry would be placed in following the changes made to the corporation tax system. The increase in the tax charge is due to the abrupt withdrawal of stock relief and the consequences of the denial of any transitional relief in respect of stocks of maturing whisky.

Turnover in the half year moved ahead from £493m to £554.5m, with duty accounting for £154.1m (£139.5m). Profit came to £80.5m, against £67.9m, on which the tax charge was £35.3m (£23.6m). The UK corporation rate has been calculated at 45 per cent—last year's charge is net of £8.5m on account of stock relief.

CCA profit before tax was £42.9m (£31.7m).

Reporting on trading, the directors say industrial action in the UK caused some shipments to be held back, but exports of whisky matched the volume recorded for the comparable period last year and exports of gin achieved a marginal increase. Export turnover advanced from £233.4m to £274.9m, but the volume of sales in the home market fell short of last year and the turnover only gained £5.4m to £125.5m.

Trading profit increased from £64.2m to £79.5m reflecting the inclusion of £10m from the U.S. company Somerset Importers (acquired in May) and some £8m attributable to the higher exchange value of the dollar currency in which the group invoiced its exports to America of whiskies bottled in Scotland and Tanqueray gin. The delay in shipments referred to means that £8m trading profit is postponed to the second half.

Carbon dioxide interests achieved a modest improvement in trading profit but the contribution from the food group was substantially lower. The share of the related company turned round from a loss of £2m to a profit of £300,000, while there was a £2.2m surplus on realisation of investments. There was a net interest charge of £7.1m, compared with income from liquid funds £1m—interest payable this period was £14.7m, against £5.6m.

Extraordinary debits come to £4.4m (£1.4m), comprising rationalisation, redundancy and closure costs £8.3m (£3m) less tax £3.9m (£1.6m). Figures for the comparative six months have been restated to reflect the treatment of rationalisation, redundancy and closure costs adopted in the full 1983-84 accounts.

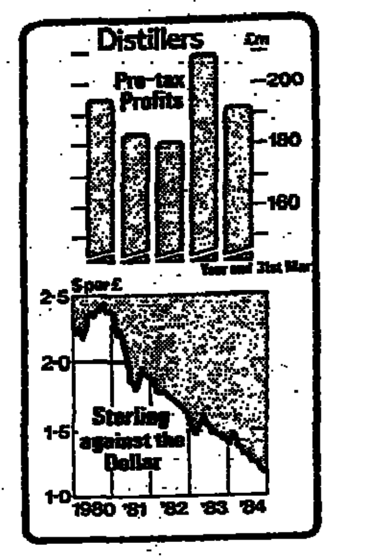
On the outlook the directors say the group's leading brands in the U.S.—Dewar's and Johnnie Walker—continue to show satisfactory strength. But there has been a further weakening in demand for whisky in Venezuela, Japan, and the Middle East in the last few months and the directors consider it unlikely that the volume of total exports will quite reach last year's level.

In the home market they do not now anticipate achieving last year's sales volume because of the intense competition and flat consumer demand.

The strong performance of Tanqueray gin in the U.S. is continuing and worldwide exports of the brands of gin are showing a satisfactory increase over the last year.

"The benefits of rationalisation measures recently taken, together with the continuing strength of he dollar, the contribution from Somerset Importers and the greatly improved performance of United Glass, strengthen our view that pre-tax profits for the full year will show at least a moderate improvement over 1983-84," the directors conclude.

See Lex



DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aspinall Holdings‡	3	Feb 18	—	3	—
Bankers' Inv Tst	1.08	Feb 28	0.88*	2.28	2.08*
Berisfords Group ...int	1.55	Mar 1	1.4	—	6.6¶
Batleys ....int	0.63	—	0.5	—	2.5
BET ....int	2.75†	April 9	2.25	—	12
Danae Investment ...int	1.96	Feb 28	1.75	—	4.48
Distillers ....int	4.5	Feb 22	4.5	—	13.65
English China	6	April 9	5.5	9.6	8.75
Forminster ....int	2.03	—	2.03	—	5.56
Grand Metropolitan ...	5.5	April 9	4.79*	9.2	8.02*
Wm. Leech‖	2.5	Feb 22	2.14	4.64	3.57
MJI Corporation ......int	nil	—	0.6	—	1.25
M & G	15	Jan 31	12	25	20
Rexmore ....int	0.68	Feb 7	0.6	—	1.46
Sterling Inds ....int	0.5	—	0.5	—	2.1
Stirling Group ....int	0.4	—	0.28*	—	0.72*
TR Trustees ....int	1.2	—	1.2	—	3.4

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 71 weks to March 31 1984. ‖ Gross throughout.

UK COMPANY NEWS

Wm. Leech doubles to £2m and expects more growth

SECOND HALF pre-tax profits at William Leech, the Newcastle-upon-Tyne-based housebuilder, improved from £1.3m to £1.93m, and figures for the year to August 31 1984, rose from £1.13m for the year to August eta to £2.21m. Earlier this year the company fought off a takeover attempt by C. H. Beazer.

In May, Beazer offered £18.5m cash and in July was subsequently increased to over £21m. The offer lapsed on July 21. Beazer is currently bidding for Bath and Portland Group.

Leech's year-end profits were after financial charges down from £2.95m to £2.46m, but included profit on the sale of investment properties, £156,000 (£7,000) and related companies' profits of £124,000 (£133,000).

Group turnover climbed from £52.65m to £60.3m, and operating profits were up from £3.69m to £4.07m after administration and selling expenses totalling £4.91m (£4.47m). Tax for the year was substantially higher at £743,000 compared with £262,000 and there was an extraordinary debit of £512,000 (£90,000 credit).

The gross final dividend is raised from 2.143p to 2.5p for a gross total of 4.64p (3.57p). Stated earnings per 20p share were 9.8p (5.8p).

Mr Bill Griffiths, the new chairman, says housebuilding activity, in common with the housebuilding market generally in the UK, is running at a lower level than he would have hoped, particularly in areas affected by the miners' strike.

The signs are promising, however, for an upsurge of interest by house-buyers early in the New Year, and the company looks forward with confidence to a full year of continuing progress.

● comment

Having bared its soul in fighting o ffthe unwelcome overtures of Beazer last summer there was little new to be gleaned from Leech's figures yesterday. The leisure side is gradually coming right and when free of the substantial costs of developing the caravan holiday parks next year, Leech wil lhave a saleable asset. The small property division too is regarded as being on the disposal list if the price is right. Leech intends to concentrate on mainstream housing and to push that activity further south, though any cash from disposals would be more than welcome for its own sake. Caiptal gearing is around 74 per cent though the asset base does not include a realistic sum of the land bank. That number is being kept up the chairman's sleeve for the next defence document. And it is a racing certainty he will be putting his name to one before long. Beazer stil lholds 24.26 per cent (bought for an average price of around 127p) and even the Foundation, holding 29 per cent, has shown itself to be a weak holder when confronted with a 145p a shrae bid. It was only the founder's veto which kept Leech independent. Perhaps Brian Beazer (or someone willing to take him out at a profit) will meet with a different response next time round.

Petbow's recovery slows in first half

THE MAJOR recovery achieved by Petbow Holdings in the second half of 1983-84 slowed considerably over the opening six months of the current year.

Turnover at £7.35m (£9.21m) fell to its lowest level for many years owing to adverse trading conditions although the second half will benefit from a substantial increase in the order book.

Pre-tax losses for the first half (to September 30 1984) were cut from £2.73m to £181,000 after deducting interest charges of £127,000 (£284,000) and redundancy costs of £155,000 (£452,000). Figures for the comparative period were also subject to a special provision of £1.06m.

The group manufactures generating and welding sets.

During the early months of the half-year the problems of a sales shortfall brought about by the conflict in the Gulf and political changes in Africa was compounded by a general sharp turndown in the economies of the Middle East, and by the Singapore subsidiary which was affected by increased competition and the uncertainty concerning the future of Hong Kong.

For all these reasons major potential orders in the process of negotiation were cancelled or delayed, with an adverse result on traded turnover in the half-year in excess of £3m.

The results did not benefit materially from the net release of provisions, although substantial debts remain uncollected from Iraq.

In recent months there has been a significant upturn in order input and in despatches and "there is every indication that this continuing trend will produce increasing benefit in the second half-year."

The group ended 1983-84 £1.69m in the red after making profits of £1.04m in the second half.

Wellman cuts losses and set for further recovery

IN LINE with the expectations expressed at the October annual general meeting Wellman cut its losses from £1.61m to £585,000 over the six months to September 30 1984.

The result was struck despite taking account of a £124,000 rise in interest charges to £465,000.

Mr A. Frankel, the chairman, tells shareholders that "a very clear-cut and steady improvement from one six-month period to the next is in evidence, indicating that the group is moving towards profitable operation."

The improvement involved virtually all continuing operations of the group, a thermal and mechanical engineer, designer and manufacturer.

Action is continuing to be taken where necessary to improve competitiveness and with improving order books Mr Frankel expects that the progressive recovery will continue through the remainder of the year and beyond "even if the return to profit is taking longer than the group would wish."

He stresses, however, that until Wellman's profit situation permits the directors have no option but to refrain from paying an interim dividend and postpone the payment of the preference dividend due on December 31, 1984. At June 30, 1984 preference dividends were £303,075 in arrears.

Turnover moved ahead from £17.66m to £20.76m. Tax took £69,000 (nil) and any extraordinary items wil be dealt with at year-end.

The gorup's losses were cut from a record £3.04m in 1982-83 to £2.72m last year.

Mr T. N. Butler has joined the board as an executive director.

Confidence as Berisford rises to £0.3m

Berisfords Group achieved higher first half taxable profits of £315,000, against £248,000, and the company is confident that this figure will be exceeded in the remaining six months.

The result for the six months to end-September 1984 was attained on slightly lower turnover of £9.87m, compared with £10m, principally due to trimmings, reflecting difficulties in the furniture and home furnishings industries.

Margins in that sector were also depressed, as they were in embroidery where trade was affected by conditions in Nigeria, which formerly dominated world trade in machine-made embroidery fabrics.

Despite these difficulties, group trading profits advanced from £471,000 to £655,000 following a continued rationalisation of production.

The interim dividend is being lifted to 1.55p (1.4p) with earnings per share shown higher at 5.2p (4.1p).

Taxable profits were struck after exceptional items of £52,000 (£20,000) and net interest of £288,000 (£203,000). Tax charge was £36,000 (£33,000), and there were extraordinary debits this time of £52,000.

Scottish Equitable lifts terminal bonus rates

UNCHANGED reversionary bonus rates for 1984 are declared by the Scottish Equitable Life Assurance Society. On most life contracts this remains at £4.70 per cent of the sum assured and attaching bonuses and £5.50 per cent compound for self-employed and controlling director pension schemes. The rate for the flexible endowment Flexplan and Semflax remains at £5 per cent compound.

However, the company is reflecting its investment performance this year by increasing the terminal bonus rate paid on contracts maturing in 1985. On life contracts this rate is improved from 60 to 65 per cent of attaching bonuses.

On pension contracts the company is changing its practice on terminal bonus declarations. Up to now the same rates has been applied to annual and single premium contracts: in future, each type will have a separate rate.

On annual premium contracts the terminal bonus rate for 1985 is increased from 85 to 90 per cent on attaching bonuses, while on single premium policies it is licted from 85 per cent to 135 per cent of attaching bonuses.

Rexmore

Profits before tax of Rexmore, supplier and distributor of fabrics, slipped from £285,000 to £270,000 in the six months to September 29 1984. The interim dividend is up from 0.6p to 0.675p net per 25p share.

The level of activity over the period and indications for the opening months of the second half are in line with the group's internal budgets. The seasonal increase in turnover is being achieved and margins are comparable with those obtained in the first half.

Excluding British Trimmings, turnovcer advanced by 12.2 per cent and operating profits by 16 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim: G. M. Firth.

Finals: Brunner Investment Trust, Kalsey Industries, Nash Industries, Weber.

Stirling margins up

Ladies' garment manufacturer Stirling Group has improved its margins by constant attention to increased efficiency in the half year ended September 30 1984. One a turnover ahead 7.7 per cent from £8.85m to £9.54m, the profit before tax shows a 19.5 per cent advance to £829,000 against £694,000.

In pursuance of the declared policy of reducing the high dividend cover, the interim is being increased by 42.9 per cent from an adjusted 0.28p net to 0.4p. Total for 1983-84 was equal to 0.72p from profits of £1.5m.

After tax £373,000 (£361,000) the net profit for the half year is £456,000 (£333,000) for earnings of 3.12p (2.28p) per share.

Batleys

From turnover £8.28m higher at £88.59m, Batleys of Yorkshire has increased its profit from £606,000 to £702,000 in the half year ended October 27 1984.

After a higher tax charge £250,000 (£107,000 adjusted) net profit of this cash and carry wholesaler came out at £452,000 (£499,000) for basic earnings of 5.24p (5.82p) and fully diluted 3.71p (4.12p). The interim dividend is raised to 0.625p (0.5p) —the previous final was 2p.

UK COMPANY NEWS

Publishing rewards BET after hectic half

IN A half-year which witnessed hectic corporate restructuring, **British Electric Traction** has improved its taxable profit by some 17 per cent, on turnover down by 13 per cent at £452.46m.

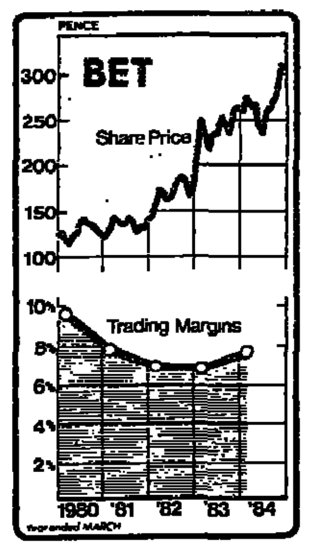
The profit rise in the six months to September 30 1984 was from £31.77m to £37.17m, and was achieved largely thanks to a near four-fold rise in the contribution from BET's publishing arm from £1.9m to £8.5m.

The electronics and leisure divisions showed reduced returns, but all the company's other activities — transport, industrial services and construction — reported improved figures.

Mr Hugh Dundas, the chairman, says that in the circumstances, the rate of growth is "not unsatisfactory," though it represents a drop of five percentage points from the last full year's profit advance. The outcome then was £85.59m on turnover at £1.07bn.

Mr Dundas comments: "We are approaching the end of our restructuring and we can look forward to building on our core businesses and improving earnings—both by organic growth and by a programme of acquisitions already underway."

Shareholders are to be *rewarded with a 0.5p boost* in the interim dividend to 2.75p net per deferred ordinary share,



after a 12p total last time. Earnings per share are quoted at 11.2p, up from 10.3p.

Operating profit came out at £37.96m against £33.47m, and was boosted by associated companies at £5.54m (£6.28m) and investment income £3.95m (£3.64m). Interest charges were lower at £10.29m (£11.63m).

After tax at £12.79m against £10.32m and minority interests £1.53m (£2.2m), there was an extraordinary provision of £1.38m (£803,000). This consisted of estimated losses on disposal of Rediffusion's cable interests, and a number of group re-organisation and closure costs, less profit from the disposal of the 51 per cent stake in Wembley Stadium and the sale of Rediffusion's TV and video rental business.

Profits attributable on the deferred ordinary shares emerged at £21.42m (£20m), and the distribution will account for £5.66m against £4.58m.

The largest contributor to profits was the transport division, which turned in £9.4m against £7.7m, although the lower exchange rates for African currencies will prevent a similar improvement in the results for the full year.

The African operations again showed better results, while Australia, Europe and the U.S. also improved.

Industrial services increased profits by 15.5 per cent to £9.2m. Initial and Advance Services, of which BET has 42 and 100 per cent respectively, made some progress.

Profits in construction moved ahead from £7.3m to £9.1m. Improved order books in steel will be reflected in the full year's result, says the chairman.

Mr Nicholas Wills (left), managing director of BET, and Mr Hugh Dundas, chairman . . . approaching the end of corporate restructuring

In publishing, the Argus Press made an "excellent gain," with improvements in the newspaper division and all three of the UK magazine divisions. U.S. magazines contributed 56 per cent of the trading profits.

The downturns in electronics and leisure—from £2.2m to £1.7m and from £2.1m to £0.1m respectively—came mainly as a result of delayed deliveries by Rediffusion Simulation and the industrial action at Thames TV, as well as the Wembley sale.

M&G boosts profits to £7m

ANOTHER GOOD year for the sales of its products and increased revenue from annual management charges for the **M and G Group** are reflected in an increase in pre-tax profits from £6m to £7.1m in the 12 months ended September 30 1984.

Earnings have gone up from 40.56p to 50.38p per share, and a final dividend of 15p lifts the net total from 20p to 25p. Holders registered January 31 next also receive a 1-for-1 scrip issue.

Management charges are based on the level of stockmarkets and in particular the performance of high yielding and recovery shares in which the group specialises. Funds under management have continued to increase, maintaining the group's market share.

The success of the assurance operations has also produced a satisfactory increased distributable surplus.

Trading since the end of the year has continued well and in line with forecasts, the directors state.

At September 30, the share capital and reserves had moved ahead by £5.24m to £25.25m, and net asset value per share stood at 272.9p, against 218.7p a year earlier.

Trading profit for the year came to £6.36m (£5.39m), with the contribution from management and administration of unit trusts being £4.61m (£4.27m) and the surplus from long term business £1.74m (£0.93m). Unit trust sales were £159.9m (£118.3m) and redemptions £116.4m (£94m), while new annual premium income was £9.1m (£5.7m) and single premiums £45.3m (£28.9m).

After tax £2.44m (£2.3m) the year's net profit is £4.66m (£3.71m). Following the changes in corporation tax, £1.37m has been written back to reserves from the deferred provision and £0.68m has been set aside as additional depreciation in respect of leasing assets.

At the end of September the funds managed, advised and administered by the group were: *unit trusts managed* £1.54bn (£1.24bn); assurance and friendly society funds £487m (£377m); investment trust companies and offshore funds £132m (£126m); institutional pension funds, charities and other clients £382m (£284m); high interest cheque account £52m (nil).

There is an element of double counting in some of the figures but they are prepared on a consistent basis.

Aspinall blames 'luck factor' for profit drop

THE "DROP," which is the best indicator of casino business volume, being the value of gaming chips purchased, rose from £79.64mt o £96.01m in the year to end-September at **Aspinall Holdings**. Some £70.1m of this was achieved in the second half of the year since the transfer of business to The Aspinall Curzon in Mayfair, compared with £41.1m.

The directors of this USM-quoted holding company for one of London's leading casinos, say that the "luck factor reduced gaming profits on the increased volume, from 24.3 per cent of the Drop to 19.6 per cent."

Aspinall made lower pre-tax profits of £11.06m against £15.11m, and a final dividend of 3p net is being paid, the first dividend since the company came to the USM in November 1983.

The company's operating profit struck after gaming licence duty and other operating costs took a total of £10.12m (£8.69m), was lower at £9.3m (£11.06m).

The £1.01m (£2.83m) the company gained from investments was in line with the interest that would have been earned if the funds deployed had been deposited with interest. Therefore, the directors say, investment gains can be considered *recurring*.

After tax of £4.38m (£7.42m), retained earninsg came to £5.13m against £6.57m. tSated net earnings per 10p share were shown as 12.9p.

The company's comparative figures include subvention of losses of the zoo activities which were sold in September 1983.

● comment

The game was not entirely in *Aspinall's favour* in the second half. Admittedly, the value of gaming chips purchased rose by just short of 70 per cent during that period, but that was on almost double the number of ables, following the move to the Aspinall Curzon. Winnings, meanwhile, declined marginally year-on-year — entirely due to bad luck—while a £900,000 rise in operating costs related to the move and a steep decline in investment income sent taxable profits down by 27 per cent. The disappointment was enough to send the shares down 14p to 110p, a humdrum 8.4 times stated earnings. Much depends in the future on whether a productive use can be found for the vacant Knightbridge casino, which seems unlikely to get a gaming licence Another operator could be acquired and his licence transferred. However, that would mean paying a hefty premium, a questionable use for Aspinall's £15m-£20m available cash. Australia's liberal environment could be more profitable, and the coming year will determine whether the Aspinall formula will attract rich punters across the Atlantic Basin to Darwin and Alice Springs.

Waddington drops probe into Pergamon

John Waddington said yesterday that it had decided not to pursue further the ultimate ownership of the **Pergamon** group of *companies headed* by Mr Robert Maxwell, since Pergamon and its associates no longer had an interest in Waddington's share capital.

Waddington began seeking details of Pergamon's ownership last month as part of its successful campaign to fight off a takeover bid by Mr Maxwell.

However, Mr Maxwell conceded defeat last week and sold his remaining 18.8 per cent stake in Waddington on Wednesday.

Superdrug

Superdrug Stores, which operates from some 200 units, has shown growth in its third quarter trading, and for the nine months ended November 24 1984 has produced a turnover of £91.82m, excluding VAT, and a pre-tax profit of £6.23m, compared with £72.27m and £4.97m respectively for the same period in 1983.

In the third quarter, sales went *ahead from £26.55m to* £33.06m and profits from £2.09m to £2.57m when compared with 1983. The first quarter of 1984 produced profits of £1.38m (£1.02m) and the second £2.28m (£1.86m).

Tax for the nine months requires £1.56m (£2.14m) to leave the net profit for the period at £4.67m (£2.83m).

The company has already raised its current interim dividend from 1.4p to 1.7p. In the year ended February 28 1984 it paid a final of 2.1p when pre-tax profit reached £6.87m.

Forminster

Pre-tax profits of **Forminster** were virtually static at £611,000, against £604,000, in the six months to October 31 1984 but after a £45,000 lower tax charge at £275,000 the attributable surplus emerged £52,000 higher at £336,000.

Earnings improved to 6.77p (5.26p). The interim dividend is held at 2.03p per 10p share.

Collier Holdings progress

Collier Holdings, the menswear retailer acquired from Hanson Trust by its management for £47.5m in October 1983, is making progress towards recovery.

In the nine months to June 1984 a trading loss of £0.58m was incurred, compared with the anticipated loss of £0.59m forecast at the time of the buy-out.

Mr John Thomson, the chairman, says the reduction from past trading losses demonstrates that the introduction of the new Collier trading image and formula is beginning to bear fruit.

He adds that sales in the refurbished shops were up almost 40 per cent comparatively.

Although the refurbishment programme is being accelerated the directors believe the group will take longer than originally expected to achieve the trading profits forecast.

UK COMPANY NEWS

Security Centres drops disposal plan after institutional doubts

BY RAY MAUGHAN

Security Centres' proposed £8.5m sale of its UK alarms business to Automated Security (Holdings) is not going ahead.

The deal was unveiled as recently as November 27 but ASH revealed yesterday that Security Centres no longer intends to convene the required extraordinary meeting of shareholders. The notice convening the meeting is understood to have been ready for publication at the beginning of this week but was delayed and has now been withdrawn.

The chairman, Mr Brian O'Connor, resigned earlier this week and it is believed that Security Centres has been forced to respond to opposition to the disposal from its leading institutional investors.

Their opposition was focused not so much on the price agreed with ASH (which also included a £2m deferred consideration) but, rather, that Security Centres would be selling a core UK business. This would leave as a rump the recently deconsolidated SCUSA associate, the Irish operations and some interests in the Middle East.

The market's response to the planned disposal has been to cut Security Centre's share price from 230p, at the time of the announcement, to last night's closing level of 165p, down 3p.

The group gave as its original reason for the sale the heavy capital spending required to develop "the very substantially larger business needed to meet the future demands of the UK and to achieve an acceptable level of profitability."

Mr Tom Buffett, the ASH chairman, has calculated that the additional cost to Security Centres of meeting that development would have been some £20-£30m. However, given ASH's own very much larger network, the cost of integration would have been significantly lower.

Now that Security Centres has opted to retain the UK operation it will be discussing any new funding requirements with its shareholders.

It is still discussing the purchase of Sterling Armaments but the option on that deal closes today. Security Centres has decided that it will not exercise unless the vendors reduce their terms.

Board changes at Xyllyx as losses mount

By Ray Maughan

Xyllyx, the designer of the "Infobox" coin-operated view data system which came to the USM last February, has failed to secure a significant level of orders and has responded to that failure with a complete change in senior management.

Taxable losses for the six months to September 30 rose to £177,000 against £81,000 in the previous 10 months on turnover of £57,000 against £26,000.

The group had made it clear from the outset that the pursuit of large orders for an essentially new product imposed high risks and the shares fell 8p to 15p against the placing price of 50p.

The managing director, Mr Imre Lake has resigned, selling his entire holding of 7.85m shares at 18.8p gross per share and another director, Mr John Barton, has left the board and sold 3.83m shares at the same price. He stays with the company however and retains a holding of 1.22m shares.

Mr P. Kirby, who joined the board from the technical department of the Stock Exchange six months ago has also resigned his directorship but he, too, is staying with Xyllyx.

Their stakes have been picked up by Tacitus, ultimately owned by the Mahoney Educational Trust in the U.S. and a management consultant, Mr Jim O'Hara has been appointed managing director of Xyllyx with immediate effect.

Tacitus has acquired a 29.9 per cent stake — just short of the general bid requirement — and it has been able to show that it is not acting in concert with the Friski Foundation Vaduz which acquired the balance of 26.3 per cent.

Xyllyx raised £1.75m through the February placing by Kemp, Mitchell, since suspended, and much of the initial capital is said to be intact. It has hopes of a major order from the South African postal authorities and the view data screens are in use in Kings Cross station with the possibility that BR will order more for its Travel Centres nationwide.

MINING NEWS

OFS gold chiefs welcome merger

BY KENNETH MARSTON, MINING EDITOR

THE advantages of the proposed amalgamation of the Anglo American Corporation group's four neighbouring gold mines in South Africa's Orange Free State into one supermine are stressed by the chairmen of the companies involved in their respective annual reports.

Application is to be made to the Mining Leases Board for the consolidation of the mining lease areas held by Western Holdings, Free State Geduld, President Brand and President Steyn. All the operations will be combined into a single company.

Welkom, as a shareholder of Western Holdings also comes into the picture and, in due course, the so far unexploited Jeanette mining lease may be included in the enlarged mining complex.

The chairmen point out that now the remaining higher grade Basal reef ore reserves are limited, projections show declining grades and gold production with steadily increasing costs as the mines grow older. This would lead to premature closures of individual mines with a consequent loss of areas of gold-bearing ground.

Consolidation, however, would result in more gold being produced because it would allow the profitable working of low grade areas which could not be economically mined by the individual operations and it would also make available the ore pillars on the boundaries of the existing mines.

Apart from extending the lives of the mines, the greater flexibility of one large operation would allow the most use to be made of capital assets such as shafts and milling points.

The chairmen add that it would also create a stronger financial base which would provide for the development of new areas in and around the existing leases.

Capital expenditure is expected to remain heavy, depending on the gold price and other financial considerations. Free State Geduld, however, forecasts a further reduction in capital spending to R48m (£21m) from R53.1m in 1983-84. President Steyn plans to increase its expenditure to R60m from R44.3m.

President Brand's expectations is R142m (of which nearly R58m will go on the new gold plant) against R116.8m last year. Western Holdings is expecting to spend R90m against R106.4m; of the current year's total some R55m will go to the Erfdeel area project on which a total of R232.7m has been expended so far.

Hawley reduces Brengreen stake

Hawley Group, he service industry concern headed by Mr Michael Ashcroft, has reduced its holding in Brengreen (Holdings) to 11.8 per cent within a week of disclosing a 14.9 per cent stake in the commercial cleaning group.

Mr Peter Bain, a Hawley director, would only say that Hawley had felt the latest move was "the right thing to do." There have so far been no talks with Mr David Evans, Brengreen's chairman, who is understood to have been abroad.

Brengreen's shares eased 1p to 59p yesterday while Hawley's were unchanged at 79p.

* * *

Powell Duffryn—50,000 shares were bought on December 17 on behalf of funds under the discretionary management of Warburg Investment Management, whose parent company is financial adviser to Powell Duffryn.

Pentos sells Ward Lock for £1.15m

By Martin Dickson

Publisher Ward Lock, well known for children's and leisure books, have been sold by Pentos for £1.15m to Egmont, the UK subsidiary of Gutenberghus, a large Danish-based publishing group.

Pentos, which has interests in publishing, furniture manufacturing, engineering and building services, said the sale was in line with its policy of divesting itself of subsidiaries which did not fit into its longer term plans.

Mr Terry Maher, Pentos' chairman, said the company had made clear two years ago that Ward Lock was up for sale.

Established in 1854, Ward Lock came under Mr Maher's wing in 1970 and became part of he Pentos group on its formation in 1972.

It made a pre-tax profit of £81,253 in 1983, after an exceptional charge of £51,530, on turnover of £1.692m—a substantial improvement on recent years.

Pentos will receive £224,000 for the shares in Ward Lock, together with reimbursement of borrowings amounting to £930,000.

Seltrust's small holders given sweetener by BP

British Petroleum has sweetened the terms of its scheme of arrangement for the minority shareholders in its 75 per cent-owned Australian Seltrust Holdings.

Previously the minority holders were to be offered a package of shares and options in a new listed company—now to be named Paragon Resources—which would hold Seltrust's gold interests, notably the 56.2 per cent stake in the promising Temora prospect in New South Wales, plus some A$8m (£5.7m) cash.

BP now announces that it is to include its own stake in Temora, bringing the holding of Paragon to 75 per cent. In addition, BP is to give Paragon first refusal to purchase a 5 per cent to 10 per cent interest in the Agnew nickel mine "subject to various conditions."

Otherwise the terms are as before with BP taking on the rest of Seltrust's assets and debt.

For each share held in Seltrust, minority holders are offered three shares in Paragon plus three options to acquire a further share at par (20 cents, or about 14p) until end-1989.

Alternatively the minority hoders may accept 54 cents (38p) cash for each Seltrust share.

BASE LENDING RATES

A.B.N. Bank	9½%	■ Hill Samuel	§9½%
Allied Irish Bank	9½%	C. Hoare & Co.	†9½%
Amro Bank	9½%	Hong Kong & Shanghai	9½%
Henry Ansbacher	9½%	Johnson Matthey Bkrs.	9½%
Armco Trust Ltd.	10½%	Knowsley & Co. Ltd.	10½%
Associates Cap. Corp.	9½%	Lloyds Bank	9½%
Banco de Bilbao	9½%	Mallinhall Limited	10 %
Bank Hapoalim	9½%	Edward Manson & Co.	10½%
BCCI	9½%	Meghraj and Sons Ltd.	9½%
Bank of Ireland	9½%	Midland Bank	9½%
Bank of Cyprus	9½%	■ Morgan Grenfell	9½%
Bank of India	9½%	Mount Credit Corp. Ltd.	9½%
Bank of Scotland	9½%	National Bk. of Kuwait	9½%
Banque Belge Ltd.	9½%	National Girobank	9½%
Barclays Bank	9½%	National Westminster	9½%
Beneficial Trust Ltd.	10½%	Norwich Gen. Tst.	9½%
Brit. Bank of Mid. East	9½%	People's Tst. & Sv. Ltd.	10½%
■ Brown Shipley	9½%	R. Raphael & Sons	9½%
CL Bank Nederland	9½%	P. S. Refson	9½%
Canada Perm'nt Trust	9½%	Roxburghe Guarantee	10 %
Cayzer Ltd.	9½%	Royal Bk. of Scotland	9½%
Cedar Holdings	11 %	Royal Trust Co. Canada	9½%
■ Charterhouse Japhet	9½%	■ J Henry Schroder Wagg	9½%
Choulartons	11 %	Standard Chartered	‖ 9½%
Citibank NA	9½%	Trade Dev. Bank	9½%
Citibank Savings	¶10¾%	TCB	9½%
Clydesdale Bank	9½%	Trustee Savings Bank	9½%
C. E. Coates & Co. Ltd.	10½%	United Bank of Kuwait	9½%
Comm. Bk. N. East	9½%	United Mizrahi Bank	9½%
Consolidated Credits	9½%	Westpac Banking Corp.	9½%
Co-operative Bank	* 9½%	Whiteaway Laidlaw	10 %
The Cyprus Popular Bk.	9½%	Williams & Glyn's	9½%
Dunbar & Co. Ltd.	9½%	Wintrust Secs. Ltd.	9½%
Duncan Lawrie	9½%	Yorkshire Bank	9½%
E. T. Trust	10 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	9½%		
Robert Fraser & Ptns.	10 %		
Grindlays Bank	‡ 9½%		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		
Heritable & Gen. Trust	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.25%, 1 month 7.00%. Fixed rate 12 months £2,500 8.75% £10,000. 12 months 9.00%.
† 7-day deposits on sums of under £10,000 6¼%. £10,000 up to £50,000 7¼%. £50,000 and over 8%.
‡ Call deposits £1,000 and over 6¼%.
‖ 21-day deposits over £1,000 7¼%.
¶ Mortgage base rate.
§ Demand deposits 6%.

APPOINTMENTS

C. T. Bowring makes changes

Owing to the ill-health of Mr R. V. Craig it has been agreed that he will stand down as chief executive of BOWRING UK. Mr H. M. J. Ritchie is appointed chief executive from January.

Mr A. H. Bolton and Mr B. R. E. Hibbert have been appointed joint deputy chairmen of C. T. BOWRING & CO (INSURANCE). Mr Bolton will be primarily responsible for aviation, and Mr Hibbert for marine and non-marine. Mr Hibbert will remain chairman of Bowring Non-Marine Insurance Brokers, but will relinquish his duties as chairman and chief executive of Bowring Marine Insurance Brokers. He remains a director of that company. Mr D. R. Mead, formerly senior marine director of C. T. Bowring & Co (Insurance), has been appointed a director and chairman of Bowring Marine Insurance Brokers. Mr A. F. Fortescue has been appointed a director and chief executive of Bowring Marine Insurance Brokers, following his transfer from C. T. Bowring Marine Reinsurance. He has also been appointed a director of C. T. Bowring & Co (Insurance).

Mr Ian Winchester is resigning as managing director of Winchester Bowring from December 31, from which date Mr Hugh Prior is appointed managing director. Mr Winchester will remain a director of Winchester Bowring until he joins Toplis & Harding Inc in the U.S. early in 1985.

*

ISRAEL DISCOUNT BANK has appointed Mr Moshe Kahtan as its representative in London, to succeed Mr Asher Michaeli who has taken over the responsibility of the Bank's representative office in Montreal. Mr Kahtan, formerly senior international officer at the Trade Development Bank, London, will also represent the American subsidiary—Israel Discount Bank of New York.

*

LONDON AND DEVONSHIRE TRUST has made appointments to its board following the acquisition of Central and Provincial Management. The directors are: Mr Michael Heathcoat Amory (chairman); Mr Andrew Feilden (joint managing); Mr Peter Hosken (joint managing); Mr David Heathcoat Amory, Sir Ian Heathcoat Amony and Mr Leslie Duffield.

*

Mr Brian Denton, managing director of Bemrose Flexible Packaging and Dr David Tidmarsh, managing director of Bemrose Calendars, Daires and Adevrtising Products ,have been appointed to the board of BEMROSE CORPORATION.

*

BURNETT & HALLAMSHIRE HOLDINGS has appointed Mr Brian Train as managing director of its subsidiary Rushcliffe Fuels following the resignation of Mr Roger Holehouse. Mr Train was managing director of Burnett & Hallamshire Fuel.

*

Mr John Barton has been apointed chief executive of JARDINE INSURANCE BROKERS. Since 1980 he has been one of a three man team appointed to develop Jardine's insurance broking interests throughout the world. JIB International Services has been formed to be the headquarters company of the Jardine Insurance Brokers Group. The board of the new company is Mr C. G. R. Leach, chairman, Mr R. J. O. Barton, chief executive, Mr D. E. Corben, Mr D. C. Knechtli and Mr H. R. Talbot Jr.

*

JOHNSEN AND JORGENSEN PACKAGING has made the following board appointments: Mr J. L. (Jim) Mills joins the board as an executive director on January 2 and will succeed Mr Bernard Moger as finance director from April 1. Mr Moger will continue as an executive director and company secretary until he retires in January 1986. Mr R. H. Trotter joins Arcol Thermoplastics as managing director on January 3. Mr K. A. Jackson has joined Johnsen and Jorgensen (Plastics) as finance director.

TECHNOLOGY

EDITED BY ALAN CANE

SKI MANUFACTURERS USE ADVANCED TECHNIQUES TO COMBAT FALLING SALES

Rocket know how powers ski design

BY ELAINE WILLIAMS AND ANDREA FEY

ENGINEERS working on the Ariane rocket project have come to the aid of Rossignol, the world's largest ski maker. In a $3.4m project, the Ariane team helped to lessen vibration problems for Rossignol's new VAS range of competition skis.

Vibration is a problem common to rocket engines and top range racing skis. Now the French company plans to introduce middle of the range recreational skis with its new vibration damping techniques after a successful racing year.

Rossignol, with about 23 per cent of the world market though sales of 1.8m pairs of skis a year, took a bold step to invest in research and development at a time when world ski sales are declining. Skis sales in Austria, West Germany and Switzerland are down by between 12 to 18 per cent. Britain, uncharacteristically, is a growth market with sales up by more than 5 per cent.

Mr Craig Watson, Rossignol's UK manager, said that the company saw technical development as the key to maintaining its dominant position. It has also embarked upon diversification with the acquisition of Lange, a ski boot maker, as well as a skiing clothes manufacturer and other ski related companies. Now it has turned a loss over recent years into profits in the past two.

The secret of ski technology—upon which the vibration system also hingers—is materials development. All skis are made up of a sndwich of several layers of plastics and metal with a foam or wood core. The order of the layers can vary widely between manufacturers and with the type of ski such as downhill racing, slalom models and recreational skis for different skills of skiers.

The industry has a research institute based in Munich which carries out testing of new materials. The Patele Institut works closely with a ski research unit at the Fachhochschule, also in Munich.

In Rossignol's research project, the company analysed the strength and frequency of vibrations along the length of the ski. It was particularly interested in reducing the vibration generated when a top skier races over hard snow or ice at speeds of 80 mph or more. Competition skis account for about 30 per cent by volume of sales.

The company did not want to dampen the frequencies completely but reduce them to a level where the ski still felt responsive to the skier's movements but did not judder uncontrollably. The research tem built into the ski a layer of rubber with a steel belt embedded within it—rather like that used on radial car tyres. This reduced the vibrations by half but there was a problem—the team could not decide where to put the material in the ski.

It took, eventually, 460 prototypes of Rossignol's giant slalom model and 240 versions of its slalom ski for the Ariane team working under contract to Rossignol to discover the optimal position by trial and error. (Giant slalom is a race where a skier has to negotiate poles set widely apart so requires smooth fast turns whereas a slalom race has closely set poles placed on a steep section requiring short quick turns).

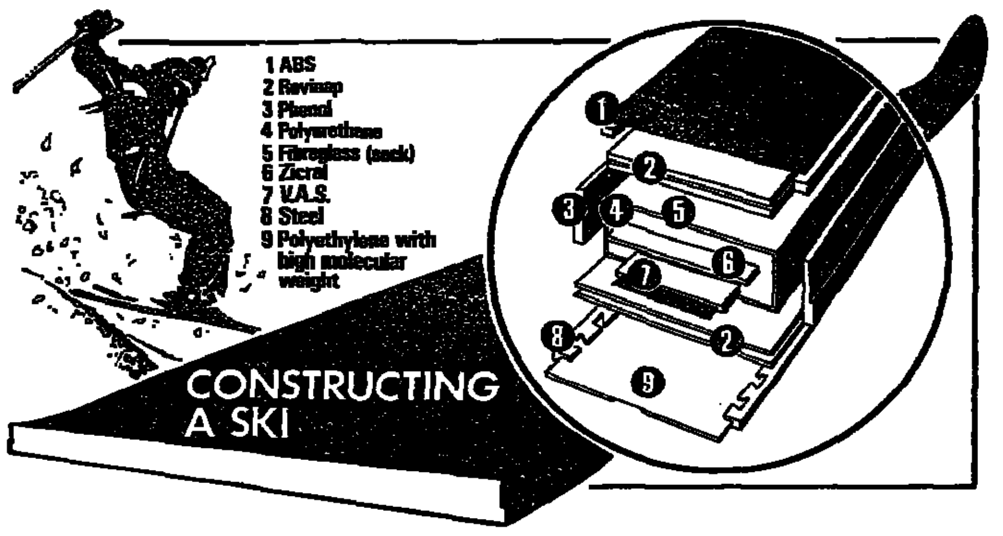
Tests carried out with sensors at 5 cm sections along the length of the ski identified that for the giant slalom ski two sections of the material was needed—one about 10 cms from the tip and a second in front of the boot binding plate. The slalom version required only one section also some way in front of the plate. The sections had to be inserted using conventional ski construction methods.

The manufacture of skis is increasingly dominated by new technological methods although less in a less spectacular manner than Rossignol's space skis.

They are conventionally made by one of three methods each of which can involve more than 60 individual manufacturing stages. The most common is the sandwich system used by Rossignol, Atomic and Dynamic. As its name suggests layers are built up in a mould from the bottom, epoxy or some other form or resin is injected into the mould and the whole construction is heated under pressure so that the layers are bonded firmly together.

Another popular technique is the torsion box method where the various layers of fibreglass, plastic, rubber and metal are built around a central core like a box. The third method used frequently on low cost children's skis is plastic injection moulding.

There are many variations on these three methods and



Above: Shows how Rossignol builds its VAS skis. Layers vary considerably between manufacturers. Below: Peter Müller of the Swiss national ski team in practice

Atomic, a leading Austrian manufacturer has developed the most significant variation in recent years with its Bionic system which it has licensed to several other ski makers.

Atomic developed its system about five years ago and has since patented the idea in the U.S., Canada, Switzerland and Japan. In the bionic ski, designers have split the wooden core into two segments sandwiching the two halves with a fibre glass laminate. The company says that this reduces vibration and twist in the ski and the unit can be constructed by the torsion box method.

With such development's Atomic has been able to maintain its leading position in the Austrian market with sales in 1983 of 685,000 pairs giving the company a turnover of AS650m. The company also owns Dynamic, which adds sales of about 300,000 pairs of skis putting Atomic in the top four among ski manufacturers.

Blizzard, another Austrian company whic his one of the Big Four in skis has spent about £4m over the past ten years on research and development, which today represents some 5 per cent of its AS710m turnover.

Blizzard has spent a lot of time and AS 50m trying to find ways of automating ski manufacture—something no ski maker has actually achieved, mainly because of the cost involved. It has, however, developed a number of linked machines which allows flexible manufacture. Blizzard calls this its "transfer street" where a number of machines handles the 130 operations needed to produce its design of ski. The system now makes 2,500 skis a day which go mainly to West Germany, Switzerland, Japan, Italy and Scandinavia.

As ski sales have declined through market saturation and the economic climate the market has become savagely competitive.

Manufacturers are reluctant to talk about their innovations for fear of giving their competitors a helping hand. But they are united in viewing new technology as their best hope of achieving a marketing edge and avoiding a bad case of triste on the piste.

BIOTECHNOLOGY

Dutch aim to create 'gene gulch'

BY STEPHANIE YANCHINISKI

THE DUTCH Government is making a determined bid to transform the Netherlands into the "gene gulch" of biotechnology in Europe. With a tempting package of financial incentives it has succeeded in wooing some of the top American biotechnology companies to set up European subsidiaries on Dutch soil.

Centocor Inc, a Philadelphia-based biotechnology company, announced late last week that it was establishing a European subsidiary with MIP Equity Fund, a Dutch venture capital organisation set up to develop

> Centocor's major interests are in developing monoclonal atntibodies for diagnostic kits and for treating disease

high technology business in the Netherlands. Each is contributing $2.5m to build a manufacturing facility near Leiden. Two other firms, Molecular Genetics Inc, and Calgene Inc, are considering a similar step.

Dr Hubert Shoemaker, Centocor's president, says that a number of factors were taken into account in choosing Holland over Belgium, Luxembourg, France, Britain, or Switzerland. A large amount of cash up front, combined with "a large pool of highly educated labour geared towards the needs of biotechnology" swung the balance. A favourable regulatory system for products, sensible safety legislation, and the government's "sincere" commitment to biotechnology, were also important enticements.

Centocor's major interests are in developing monoclonal antibodies for diagnostic kits, and for treating disease. "Monoclonal" antibodies are very pure forms of natural disease-fighting molecules which attach only to certain chemicals.

Centocor's move into Europe brings it into direct competition with Britain's Celltech, a major producer of monoclonal antibodies. Centocor this year will, for the first time, earn a profit of around $236,000 on sales of two blood tests for detecting pancreatic and ovarian cancers. Eighty per cent of company revenue comes from sales outside the U.S. Shoemaker says: "We have more products than we can comcercialise," unlike other biotechnology companies which are struggling to bring esoteric drugs such as interferon to the market.

Centocor already has advance orders for a simple and rapid test for heart disease, still under clinical trial, which could vastly improve the survival rate of open heart surgery. The idea is to inject a radiolabelled monoclonal antibody which attaches to a heart muscle protein which is exposed only when the tissue is severely damaged and cells broken open. An X-ray picture of the heart reveals the location of the monoclonal antibodies, and thus the extent of heart necrosis which helps the doctor decide the likelihood the patient will survive open heart surgery.

This is only the first of a series of imaging products being developed by Centocor for manufacture at the European plant. Others will detect cancers in the intestine and thes breast, and be especially important in spotting the early stages of secondary growths.

The site adjacent to Leiden University will be the first biotechnology science park in the world, and is the latest of a number of initiatives planned by the Dutch government in biotechnology. A special programme for biotechnology has already invested 35m guilders in basic and applied research, and plans to set aside up to 100m guilders for joint projects with industry over the next four years The programme's directors persuaded three banks to back the establishment of Holland Biotechnogy, a small biotechnology company and three more are planned for launch next year.

Professor Robert Schilperoort, head of molecular biology at the University of Leiden, and chairman of the government's programme on biotechnology, says: "The big banks are now less conventional, and taking more investment risks."

Semiconductors

Moving wafers

A BRITISH company has developed an automation system for semiconductor manufacture which is winning orders in the U.S. The Slee group based in south east London has developed a mobile batch store which collects wafers during various parts of the semiconductor fabrication process and moves them on to the next stage when needed.

Automation of silicon chip manufacturing has been hampered by the fact that the various stages of manufacture take different times. Any breakdown in the system can bring a complete halt to the manufacturing process.

Slee's equipment is based on robot carts which feed the various stages of semiconductor fabrication running as a batch rather than a continuous process so any problem in one part of the assembly does not necessarily affect the whole production.

Communications

Office networks

SIEMENS of West Germany is claiming to be ahead in the race to develop an office communications system which will transmit voice, text, information and pictures simultaneously through a single telephone line.

The company said it would start installing the new system in 12 months time. It says it has spent DM 500m in development over three years and now reckons to be two to three years ahead of its main rivals.

Called "Hicom" is meets all standards of the West German postal authority's new Integrated Services Digital Network which is to be introduced in 1988.

Company Notices

De Beers Consolidated Mines Limited
Incorporated in the Republic of South Africa
NOTICE TO HOLDERS OF PREFERENCE SHARE WARRANTS TO BEARER
PAYMENT OF COUPON No. 151

With reference to the notice of declaration of dividend advertised in the press on 28th November, 1984, the following information is published for holders of share warrants to bearer. [illegible]

	South African Currency Cents per Share
Amount of dividend declared	100.000
Less: South African non-resident shareholders' tax at 12.446%	12.446
	87.554
Less: U.K. income tax at 17.554% on the gross amount of the dividend of 100 cents	17.554
	70.000

For and on behalf of ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED London Secretaries J. C. Greensmith

London Office: 40 Holborn Viaduct, London EC1P 1AJ. 21st December, 1984

De Beers

WESTERN HOLDINGS LIMITED
WELKOM GOLD MINING COMPANY LIMITED
PRESIDENT BRAND GOLD MINING COMPANY LIMITED
PRESIDENT STEYN GOLD MINING COMPANY LIMITED
FREE STATE GEDULD MINES LIMITED
(All of which are incorporated in the Republic of South Africa)
ANNUAL GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the annual general meetings of members of the undermentioned companies will be held at 44 Main Street, Johannesburg, on Thursday, January 24, 1985, at the times stated below, in each case for the following business: [illegible]

Name of Company	Time
Western Holdings Limited	10h00
Welkom Gold Mining Company Limited	10h15
President Brand Gold Mining Company Limited	10h30
President Steyn Gold Mining Company Limited	10h45
Free State Geduld Mines Limited	11h00

By order of the boards ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED Secretaries per C. R. BULL Divisional Secretary

Johannesburg December 21 1984

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
GOLD MINING COMPANIES' DIVIDENDS
(All incorporated in the Republic of South Africa)

The following second interim dividends have been declared in respect of the financial period ending 30 June, 1985.

Companies (incorporated in R.S.A.)	Dividend Number	R.S.A. Cents per unit of stock or per share
Elsburg Gold Mining Company Limited	22	19.5
The Randfontein Estates Gold Mining Company, Witwatersrand, Limited	29	600
Western Areas Gold Mining Company Limited	30	30

By Order of the Boards JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED Secretaries per: D. J. BARRETT

Head Office and Registered Office: Consolidated Building, Fox and Harrison Streets, Johannesburg 2001. 20 December, 1984.

BARCLAYS International

BARCLAYS OVERSEAS INVESTMENT COMPANY B.V.
(Incorporated with limited liability in the Netherlands)
U.S. $100,000,000
Guaranteed Floating Rate Notes 1990
Guaranteed on a subordinated basis as to payment of principal and interest by
BARCLAYS BANK INTERNATIONAL LIMITED
(Incorporated with limited liability in England)

NOTICE IS HEREBY GIVEN that, effective 28th December, 1984, Barclays Merchant Bank Limited, London, has been appointed Agent Bank for the purpose of calculating the Rate of Interest in respect of the above Notes in succession to Barclays Bank PLC.

21st December, 1984 Barclays Overseas Investment Company B.V.

BARCLAYS International

BARCLAYS OVERSEAS INVESTMENT COMPANY B.V.
(Incorporated with limited liability in the Netherlands)
U.S. $200,000,000
Guaranteed Floating Rate Notes 1995
Convertible until January, 1988 into 9½ per cent. Guaranteed Bonds 1995
Guaranteed on a subordinated basis as to payment of principal, premium (if any) and interest by
BARCLAYS BANK INTERNATIONAL LIMITED
(Incorporated with limited liability in England)

NOTICE IS HEREBY GIVEN that, effective 28th December, 1984, Barclays Merchant Bank Limited, London, has been appointed Agent Bank for the purpose of calculating the Rate of Interest in respect of the above Notes in succession to Barclays Bank PLC.

21st December, 1984 Barclays Overseas Investment Company B.V.

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION of 21st November, 1984, NOTICE is now given that the following distribution will become payable on and after the 17th December, 1984, against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

GROSS DISTRIBUTION	6.25	CENTS
LESS 15% U.S. WITHHOLDING TAX	0.9375	CENTS
	5.3125	CENTS PER UNIT
CONVERTED at 1.2010 =	4.42339	PENCE PER UNIT

Barclays Bank PLC
Securities Services Department
54 Lombard Street, London EC3P 3HA

NOTICE TO BONDHOLDERS
6½% CONVERTIBLE GUARANTEED, 1989
ASIA NAVIGATION INTERNATIONAL LIMITED, BERMUDA
[illegible]
EASTERN ASIA NAVIGATION COMPANY LIMITED
Dated 17th December, 1984.

Corrected notice
RICOH COMPANY, LTD.
(Kabushiki Kaisha Ricoh)
¥30,000,000
5½ PER CENT NOTES 1989
with Warrants to subscribe for Shares
NOTICE TO HOLDERS OF THE WARRANTS
[illegible]
KLEINWORT, BENSON LIMITED Principal Warrant Agent
19th December 1984

U.S.$75,000,000
GRUPO INDUSTRIAL ALFA S.A.
FLOATING RATE NOTES DUE 1988
[illegible]
CREDIT SUISSE FIRST BOSTON LIMITED Agent Bank

CHARITY—CHARITIES DEPOSIT FUND
[illegible]

FINANCIAL TIMES

Friday December 21 1984

French face nightmare over milk quotas, Page 34

WALL STREET

Pre-holiday momentum is lost

THE pre-Christmas rally on Wall Street turned sour yesterday with stock prices losing momentum despite another dip in yields in the bond market, *writes Terry Byland in New York.*

Both sectors of the market weakened as the time approached for announcement of the latest money supply statistics. Falls of 5/32 replaced early gains in bonds, and the stock market, which had been dull throughout the session, extended its fall in the last half hour. The Dow Jones industrial average ended a net 4.75 points down at 1203.29. Turnover of 93.9m returned to more normal levels after the the sharp upturn seen this week.

An initially firm trend was seen in the stock market but this was reversed at mid-morning in brisk trading which spread over the full range of stocks.

Expectations of a cut in the Federal Reserve discount rate remained high, although a federal funds rate at 8 7/16 per cent cooled some enthusiasm. With the funds at this level, the Fed announced $1.5bn in customer repurchase arrangements, in an apparently technical move to smooth end-of-year payment flows.

Cuts in prime rates to 10¾ per cent by more of the banks had been widely expected, and failed to interest the market.

The bond market responded well in early trading to news that the consumer price index showed a gain of only 0.2 per cent in November. These statistics also deepened the stock market's doubts over Christmas retail spending.

In the stock market, the absence of a follow-through to the institutional buying seen earlier in the week disappointed brokerage analysts. Oil and technology stocks, both weak sectors of late, were targeted again as "sells" by a major trading firm. Airlines looked dull after recent strength.

The renewed surge in the dollar, which increases the price disadvantage to U.S. exporters also helped to discourage investors, but losses in blue chips were small.

Union Carbide at $36¾ recouped $1⅜ of the heavy loss suffered since the Bhopal disaster. Monsanto was $¼ better at $42¾ but other chemical issues weakened.

In the semiconductor sector, recently restored to Wall Street favour after a lengthy period in the wilderness, National Semiconductor dipped $1¼ to $11½ after reporting an expected downturn in profits. Storage Technology was up $¼ at $2¾, also after trading results.

The mainframe computer makers made little move. IBM shed an early gain to move down $⅝ to $122⅞, while Control Data was unchanged at $34⅞.

Motor stocks were mixed. General Motors gained $⅝ to $76⅝, while Ford fell $⅞ to $44⅞.

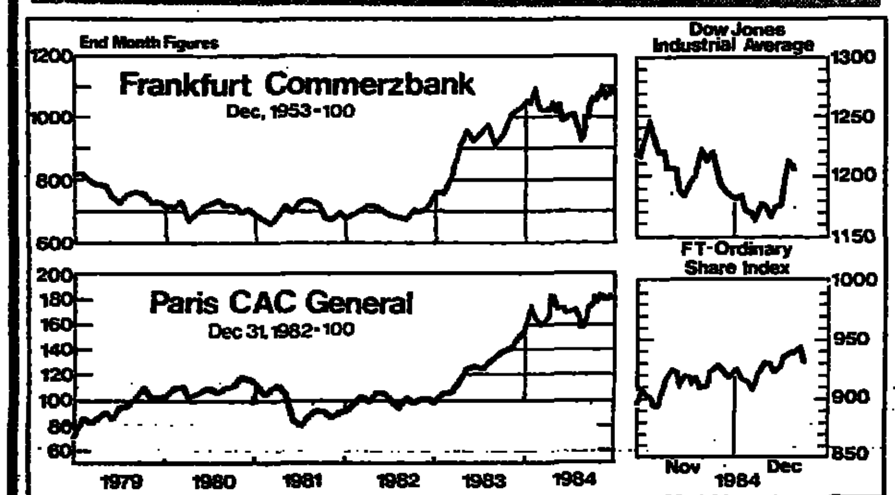
A dull oils sector was brightened by a sudden spurt of activity in Phillips Petroleum after a Delaware court had favoured the bid move from the Boone Pickens camp. At $55, Phillips gained $3 on turnover of more than 2m shares as investors hoped for an early consumation of the $60 a share offer from Mesa Petroleum.

Another bid feature was Scovill, $5⅝ higher at $37½. Nearly 2.6m of the 12.3m shares on issue were traded as a company operated by the Belzberg family of Toronto commenced a tender offer of $36 a share. The Scovill board's antagonism spurred hopes of a "white knight" counter offer.

AT&T was $½ higher at $19¼ after confirmation of a maintained dividend payment. Among food issues, Pillsbury dipped $1⅛ to $42¾ after results, while at $27 International Multifoods was up $⅛.

The credit market settled down after the Fed's announcement of customer repurchase arrangements. Short-term rates began to edge higher in sympathy with federal funds. Three-month Treasury bills at 7.75 per cent added 4 basis points. Bond prices advanced. The key long bond traded at 103 5/32, a gain of 5/32.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 20	Previous	Year ago
NEW YORK			
DJ Industrials	1,203.29	1,208.04	1,241.97
DJ Transport	551.71	556.13	591.09
DJ Utilities	148.29	148.85	130.78
S&P Composite	166.38	167.16	162.00
LONDON			
FT Ord	930.3	942.6	776.2
FT-SE 100	1,207.2	1,220.6	1,000.1
FT-A All-share	582.21	586.6	469.84
FT-A 500	637.49	642.71	501.43
FT Gold mines	464.5	476.2	579.3
FT-A Long gilt	10.36	10.33	10.23
TOKYO			
Nikkei-Dow	11,514.15	11,558.43	9,627.93
Tokyo SE	895.56	897.55	708.53
AUSTRALIA			
All Ord.	717.7	718.1	757.9
Metals & Mins.	407.4	406.6	546.4
AUSTRIA			
Credit Aktien	59.12	59.04	55.91
BELGIUM			
Belgian SE	157.24	157.84	134.79
CANADA			
Toronto			
Metals & Minls	1,910.1	1,912.9	2,431.0
Composite	2,386.2	2,391.1	2,511.6
Montreal			
Portfolio	119.49	119.53	123.95
DENMARK			
Copenhagen SE	166.2	165.54	202.23
FRANCE			
CAC Gen	181.3	182.5	149.2
Ind. Tendance	121.6	122.0	95.3
WEST GERMANY			
FAZ-Aktien	375.8	375.06	345.25
Commerzbank	1,091.1	1,089.5	1,021.2
HONG KONG			
Hang Seng	1,184.42	1,173.31	858.53
ITALY			
Banca Comm.	224.78	224.67	189.54
NETHERLANDS			
ANP-CBS Gen	180.7	182.3	147.8
ANP-CBS Ind	144.5	144.9	123.2
NORWAY			
Oslo SE	280.21	283.86	213.38
SINGAPORE			
Straits Times	802.87	796.36	985.74
SOUTH AFRICA			
Golds	911.2	916.7	846.2
Industrials	922.4	923.0	937.9
SPAIN			
Madrid SE	140.17	141.16	118.26
SWEDEN			
J & P	1,356.61	1,338.0	1,449.25
SWITZERLAND			
Swiss Bank Ind	383.5	383.1	372.3
WORLD	Dec 19	Prev	Year ago
Capital Int'l	187.3	187.3	178.7

GOLD (per ounce)

	Dec 20	Prev
London	$307.25	$309.75
Zurich	$307.75	$309.55
Paris (fixing)	$305.00	$310.24
Luxembourg	$304.10	$310.25
New York (Jan)	$307.60	$309.10

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Dec 20	U.S. DOLLAR Previous	STERLING Dec 20	STERLING Previous
$	–	–	1.1655	1.1745
DM	3.124	3.099	3.63	3.64
Yen	248.05	247.7	288.5	291.0
FFr	9.5575	9.485	11.0575	11.145
SwFr	2.571	2.558	2.9925	3.0025
Guilder	3.518	3.5	4.085	4.11
Lira	1,916.5	1,904.5	2,221.5	2,236.5
BFr	62.35	62.15	72.525	73.0
C$	1.3176	1.32	1.5365	1.5485

INTEREST RATES

	Dec 20	Prev
Euro-currencies (3-month offered rate)		
£	10	9 15/16
SwFr	4 15/16	5
DM	5 9/16	5⅝
FFr	10⅞	10⅞
FT London Interbank fixing (offered rate)		
3-month U.S.$	8¾	8 13/16
6-month U.S.$	9¼	9 5/16
U.S. Fed Funds	8¼	8
U.S. 3-month CDs	8.35	8.25
U.S. 3-month T-bills	7.78	7.71

U.S BONDS

	Dec 20* Price	Dec 20* Yield	Prev Price	Prev Yield
Treasury				
10⅜ 1986	99 29/32	9.93	99 28/32	9.93
12¼ 1991	104 27/32	11.25	104 19/32	11.26
11⅝ 1994	101 29/32	11.34	101 27/32	11.31
11¾ 2014	103 3/32	11.38	103 4/32	11.36
Corporate				
AT & T				
10⅜ June 1990	95¾	11.45	95¾	11.45
3⅞ July 1990	73½	10.25	73½	10.25
8¾ May 2000	76⅝	12.18	76⅝	12.18
Xerox				
10⅞ March 1993	93⅝	11.70	93⅝	11.70
Diamond Shamrock				
10¾ May 1993	93	11.95	93	11.95
Federated Dept Stores				
10⅞ May 2013	87⅞	12.15	87⅞	12.15
Abbot Lab				
11.80 Feb 2013	96	12.30	96	12.30
Alcoa				
12¼ Dec 2012	98	12.50	98	12.50

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	72–08	72–21	72–00	72–09
U.S. Treasury Bills (IMM) $1m points of 100%				
Mar	91.77	91.88	91.74	91.80
Certificates of Deposit (IMM) $1m points of 100%				
Mar	90.96	91.10	91.00	91.00
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	90.64	90.64	90.48	90.55
20-year Notional Gilt £50,000 32nds of 100%				
Mar	106–27	107–00	106–15	106–30

COMMODITIES

(London)	Dec 20	Prev
Silver (spot fixing)	533.20p	543.65p
Copper (cash)	£1,138.25	£1,133.50
Coffee (Jan)	£2,261.50	£2,231.00
Oil (spot Arabian Light)	$27.50	$27.50

LONDON

Setback as sterling slides

THE record-breaking run in London equity markets came to a halt yesterday amid increasing concern about the plight of sterling. Blue-chip industrials sustained their first setback, albeit on a relatively modest scale, after having attained new peaks without interruption over the previous four trading sessions.

The FT Ordinary share index, down 8.2 at the first calculation, held around that level for most of the day before drifting off to close 12.3 lower on balance at 930.3.

Trading statements from Distillers, 9p lower at 297p, and Grand Metropolitan, 25p off at 305p, failed to meet market expectations. British Petroleum, facing oil price worries, shed 7p to 470p, further unsettled by press speculation that the Government could sell off a further slice of its holding.

Sterling influences were largely responsible for a fresh fall in gilts. Trading was extremely thin and quotations fluctuated quite sharply before settling with falls ranging to ⅝.

Chief price changes, Page 28; Details, Page 29; Share information service, Pages 30–31.

HONG KONG

CONTINUED strong demand in Hong Kong kept share prices at their highest levels since July 1982, in further reaction to Wednesday's signing of the Sino-British accord on the colony's future.

Some profit-taking during late morning trading was quickly absorbed and the Hang Seng index ended up 11.11 at 1,184.42.

Property issues were mostly higher with Cheung Kong and New World each 15 cents higher at HKS9.90 and HKS4.97 respectively, while Hutchison Whampoa moved 30 cents ahead at HKS17.80.

SINGAPORE

HOPES of a resolution to the rift within the Malaysian Chinese Association, provided a spur to Singapore and the Straits Times industrial index continued its advance, adding 6.51 to 802.87.

Singapore Press Holdings, listed yesterday, initially traded at S$6.15 and later peaked at S$6.20 before ending at S$6.10. The company was formed following the merger of Singapore News and Publications, Times Publishing and Straits Times Press.

AUSTRALIA

A MIXED performance was seen in Sydney with industrials attracting some support but resource issues under pressure. The All-Ordinaries index edged 0.3 lower to 717.7.

A decline in domestic and Hong Kong bullion prices undermined gold shares and oils were out of favour as a result of the pessimistic outlook for oil prices.

In the industrials sector, a A$1.75 a share partial offer for Hooker Corporation from Sunshine Australia pushed the Hooker share 4 cents higher to A$1.79.

SOUTH AFRICA

GOLD SHARES ended easier but above their lows for the day in quiet Johannesburg trading, with most professionals content to concentrate on end-of-year book squaring operations.

Kloof, down 50 cents at the start, recovered to end 25 cents easier at R70, while Libanon shed 50 cents to R40.

Other minings and financials were lower while industrials were mostly quiet. Barlow Rand, however, managed a 5 cent gain to R10.35.

CANADA

SHARP declines among oil and gas stocks in Toronto more than offest gains in non-resource sectors, leaving the market easier overall.

Announcements by several banks that they were cutting prime rates to 11¼ per cent from 11¾ from today also failed to provide an impetus.

A similarly easier pattern was seen in Montreal with declines seen in industrials and banks, although utilities managed a modest advance.

TOKYO

Caution as records are tested

AN ALL-TIME high was recorded by shares in Tokyo yesterday before prices fell back on a bout of profit-taking, mainly in blue chips, due to growing investor concern about recent price rises, *writes Shigeo Nishiwaki of Jiji Press.*

Some large-capital issues and speculative pharmaceutical issues, however, continued to attract investors.

The Nikkei-Dow average gained 39 points in early trading, surpassing the previous high of 11,577 set on December 4, but the index closed 44.28 down at 11,514.15. Volume remained heavy at 538.31m shares compared with the previous day's 612.27m. Losers outpaced gainers by 431 to 302, with 168 issues unchanged.

The Nikkei-Dow's decline was accelerated by a tumble in Sumitomo Electric on reports that Corning Glass Works of the United States had filed suit against the company in a New York federal district court, for an alleged patent infringement on optical fibre technology.

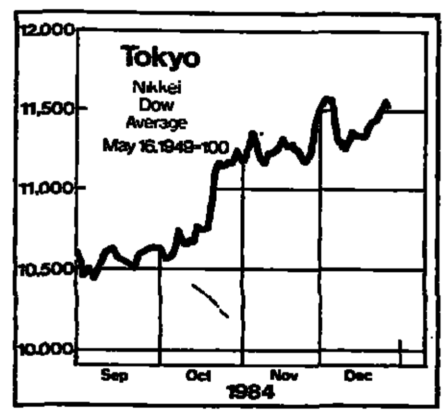
This sent the stock down Y37 to Y938, pushing many investors to the sidelines. The shift in market sentiment and the overnight decline on Wall Street combined to put some quality issues under selling pressure. Matsushita Electric Industrial lost Y20 to Y1,560, Sony Y80 to Y3,650 and Canon Y40 to Y1,560.

Meanwhile, strong buying interest in big-capital issues continued. Mitsubishi Heavy Industries again topped the list of most active stocks, with 43.95m shares changing hands and gaining Y4 to Y263.

Nippon Express ranked second with 17.33m shares, up Y3 to Y361. Other large-capital issues on the active list were Kawasaki Heavy Industries, up Y5 to Y169, Nippon Steel, unchanged at Y152, Ishikawajima-Harima Heavy Industries, up Y2 to Y160.

Among biotechnology-related issues, Toyojozo rose Y90 to Y1,280 in active trading, Yamanouchi Pharmaceutical advanced Y180 to Y2,240, and Mochida Pharmaceutical moved up the maximum Y500 to Y11,700.

In the bond market, many institutional investors became cautious, awaiting interest rate developments in the U.S., following a preliminary report that the economic growth rate for the fourth quarter of this year was higher than expected. The yield on the benchmark 7.3 per cent government bond due in December 1993 rose to 6.495 per cent from Wednesday's low for this year of 6.490 per cent.



EUROPE

Strength is sapped by profit-takers

THE STRENGTH that many European centres displayed earlier this week was partly sapped yesterday by profit-takers as a keen eye was kept on U.S. credit rate movements.

Mixed subdued trading in **Frankfurt** took the midday calculation of the Commerzbank index up 1.6 to 1,089.5, although many shares suffered losses of several D-Marks.

One of the best performers, however, was Schering which led chemicals higher with a DM 8 gain to DM 437.50, its second successive high for the year.

The car sector was featured with BMW's forecast of higher turnover for 1984, although it finished DM 4 weaker at DM 367 as federal data revealed a 1.1 per cent contraction in new car registration for the first 11 months of the year. Daimler fell DM 1.50 to DM 578 and Porsche rose DM 5 to DM 1,017.

The respite experienced by Karstadt in stores proved fleeting as it turned DM 3 down to DM 239.50 and Kaufhof dropped DM 1 to DM 220. Horten fared the best with an unchanged DM 180.

Lufthansa reversed the gains of the previous two sessions with its DM 2 setback to DM 179.

Bonds encountered light gains as the Bundesbank sold DM 18.3m in paper against Wednesday's sales of DM 40.4m.

Amsterdam retreated from the peak reached in the previous session although ABN moved against the trend with another impressive gain of Fl 4.50 to Fl 367.50, for a Fl 28 rise in five trading days.

Investors judged the Boskalis outlook as less gloomy that expected and marked the troubled dredging and construction group 40 cents higher to Fl 14.

Royal Dutch was susceptible to concern over oil prices and dipped Fl 3.50 to Fl 168, although the expected strength in KLM failed to materialise and the airline shed 50 cents to Fl 45.80 ex-scrip.

A few scattered advances and declines were found in a largely steady bond market.

Industrials led **Brussels** lower with Petrofina BFr 160 cheaper at BFr 6,810 as moves to prop up the oil price were underway by Opec in Geneva.

Gains of BFr 15 each were scored by GB-Inno BM at BFr 3,200 and by Gevaert at BFr 3,500, while Fabrique Nationale held firm at BFr 2,075.

An easier **Paris** saw Radiotechnique lead weaker electricals down with a FFr 14.80 fall to FFr 1,962, although BSN staged a recovery in a still fragile foods sector with its FFr 166 surge to FFr 2,415.

Peugeot lost most of the previous day's gain with a FFr 4 slip to FFr 245.

Zurich proved steady if unexciting as Nestlé added SwFr 30 to recent gains to close at SwFr 5,550 and large banks made modest progress with Union Bank SwFr 10 up at SwFr 3,585. Zurich Insurance managed a SwFr 75 rise to SwFr 18,050.

Banks lost more of their recent confidence in **Madrid**, although Reunidas Zaragoza in chemicals rose 2 points to 126 per cent of nominal value.

Pesenti-related issues were favoured in **Milan** as Italmobiliare jumped L3,500 to L64,500. Elsewhere Fiat was unchanged at L2,050.

Stockholm was lulled by a pre-holiday mood with volume sharply reduced, although Electrolux was active. It closed down SKr 1 to SKr 242.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	15¾	AAR	.48	2.7	14	14	18	17⅞	18	+⅛
30½	9⅞	AGS			9	146	11⅞	11	11⅞	+⅜
22	13½	AMCA	1	7.0		4	14⅜	14⅜	14⅜	+⅛
17⅞	13⅞	AMF	.50	3.5	80	562	14⅜	13⅞	14⅜	−⅛
41¾	24¾	AMR			6	2520	36½	35⅞	35⅞	−⅜
20⅜	18¼	AMR	pf2.18	11.		77	19¼	18⅞	19	
41½	27½	AMR	pf2.13	5.6		38	37⅞	36½	36⅞	+⅛
23	19	ANR	pf2.12	11.		1	19⅞	19⅞	19⅞	
15⅞	8½	APL			3	31	11⅝	11⅜	11½	−⅛
69¾	44¼	ASA	3	6.5		661	46¾	45½	46	−¼
30⅞	16	AVX	.32	1.9	10	396	16⅞	16½	16⅞	+¼
48¾	36¾	AbtLab	1.20	2.9	13	1384	42½	42	42	−⅜
23⅜	16½	AccoWd	s.44	1.9	19	5	22⅞	22⅞	22⅞	−⅜
27¾	12½	AcmeC	.40	3.0		127	13¼	12½	13¼	−⅜
12⅞	8¼	AcmeE	.32b	3.6	12	5	8⅞	8⅞	8⅞	−⅛
18¼	15	AdaEx	2.11e	13.		41	16⅞	16⅞	16¼	
18⅞	11⅞	AdmMl	.32	2.1	8	2	15	15	15	−⅛
21½	8⅞	AdvSys	.81t	8.0	10	252	11	10⅞	10⅞	−⅞
41⅛	25⅛	AMD			13	5776	29⅛	28⅛	28½	−¼
14⅛	6⅞	Advest	.12	1.5		60	8	7⅞	7⅞	−⅛
16¾	8¼	Aerflex			10	68	10⅛	10¼	10⅛	
39	27¼	AetnLf	2.64	7.3	30	1047	36½	36	36¼	+¼
58⅛	52⅛	AetL	pf5.87e	11.		30	54⅛	54⅛	54⅛	−⅛
34½	15¾	Ahmns	1.20	4.6	12	1311	26⅛	26	26	−⅛
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Continued on Page 27

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 26

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Prev. Close Ch'ge
79	68⅝	WisE	pf8 90	12.		z100	76	76	76	+1
68	59½	WisE	pf7 75	12.		z450	67	65	67	+2
25¼	23⅛	WisG	pf2 55	11.		153	24⅜	24	24	-⅛
30⅞	25⅝	WiscPL	2 56	8.9	8	50	29	28⅝	28¾	-⅛
32⅞	24¼	WiscPS	2 56	8.1	7	46	32¼	31¾	31¾	-½
39½	27⅞	Witco	1 48	4.5	8	1072	32⅝	32	32⅝	-⅛
17⅞	8⅝	WolvrW	.24	2.4	14	365	10¼	9⅞	9⅞	-¼
27½	18⅝	WoodPt	.72	3.5	15	257	21½	20¼	20¼	-⅝
38⅞	29⅞	Wolwth	1 80	4.9	9	507	37⅛	36¼	36⅞	-½
5¼	2⅛	WrldAr				126	2¼	2⅛	2⅛	
60	45	Wrigly	1 80a	3.1	10	37	58¼	57⅝	57⅝	-⅛
6⅞	3⅝	Wurlitz				30	3⅝	3⅝	3⅝	-⅛

Continued on Page 28

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full

WORLD STOCK MARKETS

AUSTRIA

Dec. 20	Price Sch%	+ or —
Creditanstalt	227	+1
Goesse	328	—1
Interunfall	400	......
Laenderbank	227	......
Perlmooser	357	+1
Steyr-Daimler	157	+2
Veitscher Mag	245	......

BELGIUM/LUXEMBOURG

Dec. 20	Price Frs.	+ or —
B.B.L.	1,880	+5
Banq. Int. A. Lux	5,500	......
Bekaert B	4,600	+50
Ciment CBR	2,500	......
Cockerill	279	+8
Delhaize	5,400	+50
EBES	2,860	......
Electrobel	8,440	......
Fabrique Nat	2,075	......
GB Inno BM	3,200	+15
GBL (Brux)	2,020	—25
Gevaert	3,500	+15
Hoboken	6,120	......
Intercom	2,100	—10
Kredietbank	7,580	......
Pan Hldgs.	9,750	......
Petrofina	6,810	—160
Royale Belge	10,200	......
Soc. Gen. Banq	3,425	+5
Soc. Gen. Belge	1,845	—5
Sofina	7,600	—50
Solvay	4,180	......
Stanwick Intl.	1,440	......
Tractionel	4,080	+50
UCB	5,010	—10
Wagon Lits	2,445	—5

DENMARK

Dec. 20	Price Knr %	+ or —
Andelsbanken	279	......
Baltic Skand	555	+5
CopHandelsbank	281	—2
D. Sukkerfab	505	—5
Danske Bank	281	—2
De Danske Luft	1,105	......
East Asiatic	151	......
Forenede Brygg	770	—20
Forenede Damp	55	......
GNT Hldg	370	—10
I.S.S.B.	372	+1
Jyske Bank	498	—1
Novo Ind.	1,320	—25
Privatbanken	240	......
Provinsbanken	344	—3
Smidth (F)	227	—2
Sophus Berend	915	—50
Superfos	416	—3

FRANCE

Dec. 20	Price Frs.	+ or —
Emprunt 4½% 1975	1,650	+18
Emprunt 7% 1975	8,100	—37
Accor	240	......
Air Liquide	569	+7
BIC	496	—15
Bongrain	1,650	—42
Bouygues	682	+1
BSN Gervais	2,415	+166
CIT Alcatel	1,296	+1
Carrefour	1,800	—20
Club Mediter'n	1,061	+6
Cie Bancaire	683	......
Cofimeg	242	+2
Damart	2,190	—50
Darty	1,144	—4
Dumez S.A.	665	—12
Eaux (Cie Gen)	631	—7
Elf Aquitane	219	—5.8
Essilor	2,860	—80
Gen. Occidentale	640	......
Imetal	72.1	—4
Lafarge Coppee	369	—2.5
L'Oreal	2,220	—30
Legrand	1,839	—11
Maisons Phenix	191.5	+8
Matra S.A.	1,750	—25
Michelin B	740	—35
Midi (Cie)	2,175	+125
Moet-Hennessy	1,875	—25
Moulinex	91.1	—2.4
Nord Est	73	—1.8
Pernod Ricard	721	—29
Perrier	490	......
Petroles Fra	240.5	—6.5
Peugeot S.A.	245	—4
Printemp Aus	190.1	—1.9
Radiotech	196.2	—1.4
Redoute	1,211	—9
Rousel-Uclaf	1,619	—4
Selimeg	291	+1
SkisRossignol	1,725	+14
Telemech Elect	2,220	—25
Thomson CSF	401.5	—35
Valeo	220	—4

GERMANY

Dec. 20	Price Dm.	+ or —
AEG-Telef	103.5	+1
Allianz Vers	965	—6
BASF	180.2	—0.3
Bayer	189	—0.2
Bayer-Hypo	324	—1.5
Bayer-Verein	328	—1.5
BHF-Bank	275.5	+0.5
BMW	367	—4
Brown Boveri	199.5	—1.5
Commerzbank	168.6	—0.4
Cont'l. Gummi	115.5	......
Daimler-Benz	578	—1.5
Degussa	342.5	—0.5
D'sche Babcock	148	+2.5
Deutsche Bank	383	—0.1
Dresdner Bank	190.5	—0.6
GHH	154.5	+1.7
Hochtief	495	......
Hoechst	186.4	+0.2
Hoesch Werke	97	......
Holzmann (P)	381.5	—5.5
Horten	180	......
Hussel	279.5	—0.5
Karstadt	239.5	—3
Kaufhof	220	—1
KHD	252.2	+1.2
Kloeckner	69.7	+0.9
Linde	389	—1
Lufthansa	179	—2
MAN	147	+0.8
Mannesmann	146	......
Mercedes Hld	497	—1
Metallgesell	214	—0.5
Munech Rueck	1065	+15
Nixdorf	517.5	—1.5
Porsche	1,017	+5
Preussag	251	—1
Rhein West Elect	164.5	+0.7
Rosenthal	248	—0.5
Schering	437.5	+8
Siemens	464	+3
Thyssen	81	—0.5
Varta	174.8	......
Veba	171.5	—0.3
V.E.W.	122.5	+0.2
Verein-West	295	......
Volkswagen	202	+0.5

ITALY

Dec. 20	Price Lira	+ or —
Banca Com'le	15,940	+90
Bastogi-IRBS	147	......
Centrale	2,199	+28
Credito Varesino	3,780	—5
Fiat	2,050	......
Finsider	45.25	—1.5
Generali Assicur	33,500	—200
Invest	2,925	......
Italcementi	66,400	—900
La Rinascenti	525	+1
Montedison	1,400	+20
Olivetti	5,885	+60
Pirelli Co.	3,470	—10
Pirelli Spa	1,900	—15
Snia BPD	2,101	—14
Toro Assic	12,290	—5
do. Pref	9,200	+1

NETHERLANDS

Dec. 20	Price Fls	+ or —
ACF Holding	185	—2.5
AEGON	146	—1
Ahold	185.8	+0.5
AKZO	98.7	—1.2
ABN	367.5	+4.5
AMEV	201	......
AMRO	64.1	—0.1
Bredero Cert	152	—5
Bos Kalis Westm	14	+0.4
Buehrmann-Tet	73.3	......
Calland Hldgs	32.6	—0.2
Dordtsche Pet'm	155.4	—2.8
Elsevier-NDU	116.3	—0.4
Fokker	83.2	......
Gist Brocades	170.3	—0.2
Heineken	1452	—8
Hoogovens	63.6	—1.3
Int Mueller	40	+0.3
KLM	45.8xc	—0.5
Naarden	47	—0.4
Nat Ned Cert	245.6	—0.2
Ned M d Bank	146.5	—0.2
Nedlloyd	161	—0.8
Oce Grinten	280.5	—1
Ommeren (Van)	27.8	+0.3
Pakhoed	67	—1
Philips	55.1	—0.6
Robeco	61.8	—3.3
Rodamco	136.1	+0.2
Rolinco	62.5	—0.3
Rorento	43.8	—0.1
Royal Dutch	162	—3.5
Unilever	305.5	+0.6
VMF Stork	141	......
VNU	204.5	—1.7
West Utr Bank	121.5	—0.5

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Dec. 20	Price Kroner	+ or —
Bergens Bank	159.9	+0.9
Borregaard	317.5	—0.5
Christiania Bank	156	—1.5
DenNorske Cred	166.5	—0.5
Elkem	111	+3.5
Kvaerner	171	+8.5
Norsk Data	277.5	—11.5
Norsk Hydro	96.5xa	—5
Storebrand	212.5	+2.5

SPAIN

Dec. 20	Price Pta%	+ or —
Bco Bilbao	315	—4
Bco Central	315	—4
Bco Exterior	207	......
Bco Hispano	181	—4
Bco Popular	363	—9
Bco Santander	327	—3
Dragados	155	—1
Hidrola	76.5	—1.5
Iberduero	81.5	—0.2
Petroleos	146	+1
Telefonica	92.5	—0.5

SWEDEN

Dec 20	Price Kronor	+ or —
AGA	365	......
Alfa-Laval	195	......
ASEA (Free)	330	......
Astra (Free)	320	......
Atlas Copco	97	......
Cardo (Free)	245	......
Cellulosa	120	......
Electrolux B	242	......
Ericsson	252	......
Esselte	320	......
Mo Och Domsjo	362	......
Pharmacia	186	......
Saab Scania Free	480	......
Sandvik	351	......
Skandia	280	......
Skan Enski'da	62	......
SKF	168	......
St Kopparbergs	150	......
Sven Handlesbn	187	......
Swedish Match	152	......
Volvo B (Free)	218	......

SWITZERLAND

Dec 20	Price Frs.	+ or —
Alusuisse	730	—5
Bank Leu	3,725	—50
Brown Boveri	1,390	+15
Ciba Geigy	2,450	+25
do. (Part Certs)	1,990	+5
Credit Suisse	2,320	—10
Elektrowatt	2,620	+10
Fischer (Geo.)	600	—10
Hoff-RochePtCts	86,500	+1,500
Hoff-Roche 1/10	8,650	+50
Jacobs Suchard	6,325	+50
Jelmoli	1,920	—15
Landis & Gyr	1,650	+15
Nestle	5,550	+30
Oer-Buehrle	1,295	—15
Pirelli	252	—2
Sandoz (Br)	6,925	—75
Sandoz (PtCts)	1,103	+8
Schindler (PtCts)	635	—5
Sika	980	—60
Surveillance	3,745	+20
Swissair	1,030	+25
Swiss Bank	356	+1
Swiss Reinsce	8,325	—25
Swiss Volksbk	1,470	—5
Union Bank	3,575	+15
Winterthur	3,585	+10
Zurich Ins	18,050	+75

AUSTRALIA

Dec. 20	Price Aust $.	+ or —
ANZ Group	5.04	......
Alliance Oil Dev	1.05	......
Ampol Pet	1.75	......
Ashton	0.83	......
Aust Cons Ind	1.87	+0.03
Aust. Guarantee	2.6	—0.05
Aust. Nat. Inds	2.45	+0.05
Aust. Paper	2.16	+0.02
Bell Group	4.5	—0.08
Bell Res	4	......
Bond Corp Hldgs	1.16	—0.01
Boral	3.2	+0.02
Bougainville	1.66	+0.01
Brambles Inds	3.48	+0.03
Bridge Oil	2.15	—0.05
B.H. Prop	4.9	—0.02
CRA	4.9	+0.08
CSR	2.78	......
Carlton Utd	4.30	......
Castlemaine Tys	4.35	—0.02
Coles (G.J.)	3.88	+0.05
Comalco "A"	2.05	—0.05
Consolidated Pet	0.56	......
Costain Aust	1.4	......
Dunlop Aust	1.85	—0.02
Elders IXL	3.08xc	......
Energ Res	1.44	......

AUSTRALIA (continued)

Dec. 20	Price Aust. $	+ or —
Gen Prop Trust	2.2	—0.04
Hardie (James)	2.92	—0.08
Hartogen Energy	2.26	—0.05
Herald W'yTimes	3.38	—0.02
ICI Aust	2.05	—0.05
Jimberlana F.P.	0.3	......
Kia Ora Gold	0.12	......
Lend Lease	5.24	+0.04
MIM	2.35	......
Mayne Nickless	3.0	—0.04
Myer Emporium	1.68	—0.02
Nat. Aust. Bank	3.5	+0.01
News	9.56	......
Nicholas Kiwi	5.18	......
North Bkn Hill	2.0	+0.02
Oakbridge	0.63	......
Pancont'l	1.0	......
Pioneer Conc	1.53	—0.01
Poseidon	2.52	—0.01
Queensland Coal	1.08	—0.02
Reckitt & Coln	3.1	......
Repco	1.13	+0.01
Santos	6.5	—0.05
Smith (Howard)	3.35	......
Thos. Natwide	1.71	—0.1
Tooth	5.8	—0.06
Vamgas	3.05	......
Western Mining	2.82	+0.06
Westpac Bank	3.85	—0.03
Woodside Petrol	1.01	—0.02
Woolworths	2.55	—0.05
Wormald Intl	3.05	+0.05

HONG KONG

Dec. 20	Price H.K.$	+ or —
Bank East Asia	22.6	—0.1
Cheung Kong	9.9	+0.15
China Light	12.1	......
Evergo	1.54	—0.02
Hang Seng Bank	42	+0.75
HK Electric	6.5	+0.0
HK Kowloon Wh	5.05	+0.0
HK Land	3.97	......
HK Shanghai Bk	7.8	+0.05
HK Telephone	49	+0.5
Hutchison Wpa	17.8	+0.4
Jardine Math	8.7	+0.1
New World Dev	4.97	+0.15
Orient O'seas	2.75	—0.02
Oseas Trust Bk	2.52	......
SHK Props	7.8	+0.15
Shell Elect	1.9	+0.05
Swire Pac A	21.2	—0.1
TV—B	5.15	—0.05
Wheel'k Mard A	3.92	—0.05
Wheel'k M'time	1.13	......
World Int. Hldgs	1.7	+0.06

JAPAN

Dec. 20	Price Yen	+ or —
Ajinomoto	1,090	......
Alps Electric	2,020	—40
Amada	1,160	—20
Asahi Chem	660	+3
Asahi Glass	893	—25
Bridgestone	538	......
Canon	1,560	—40
Casio Comp	1,850	—10
Chugai Pharm	1,120	......
Citizen	690	+5
Daiei	632	+1
Dai Nippon Ptg	987	—3
Daiwa House	575	+1
Ebara	339	—1
Eisai	1,390	......
Fanuc	11,400	—20
Fuji Bank	1,220	—10
Fuji Film	1,670	—30
Fujisawa	950	+10
Fujitsu	1,380	—20
Green Cross	1,590	—30
Hasegawa	370	+10
Heiwa Real Est	685	+11
Hitachi	874	—15
Hitachi Credit	1,060	—10
Honda	1,270	—20
House Food	681	......
Hoya	2,200	—30
Itoh (C)	316	+4
Ito. Yokado	2,600	......
Iwatsu	1,360	—60
JACCS	330	......
JAL	5,500	—100
Jusco	725	+10
Kajima	270	......
Kao Soap	805	—8
Kashiyama	616	+6
Kirin	544	+4
Kokuyo	916	......
Komatsu	469	+13
Konishiroku	605	......
Kubota	323	—2
Kumagai	473	—6
Kyoto Ceramic	7,120	—90
Maeda Const	471	—4
Makino Milling	1,190	—40
Myakita	1,030	—10
Marubeni	304	—3
Marudai	545	+5
Marui	1,060	—20
MEI	1,560	—20
M'ta Elec Works	640	......
M'bishi Bank	1,230	+10
M'bishi	524	+7
M'bishi Elec	406	—1
M'bishi Estate	544	+6

JAPAN (continued)

Dec. 20	Price Yen	+ or —
MHI	263	—4
Mitsui Co	343	—2
Mitsui Estate	684	......
Mitsukoshi	359	+2
NGK Insulators	965	—12
Nihon Cement	206	—4
Nippon Denso	1,440	—20
Nippon Elect	1,260	—10
Nippon Express	361	......
Nippon Gakki	1,490	+5
Nippon Kokan	142	—1
Nippon Oil	894	—6
Nippon Seiko	654	—6
Nippon Shimpan	669	+4
Nippon Steel	152	......
Nippon Suisan	330	—5
NTV	13,590	—100
Nippon Yusen	253	—3
Nissan Motor	628	—2
Nisshin Flour	480	+4
Nisshin Steel	176	—2
Nomura	880	—8
Olympus	1,150	—20
Orient Leasing	3,340	—180
Pioneer	3,720	—30
Renown	660	—1
Ricoh	973	—12
Sankyo	890	—15
Sanyo Elect	463	......
Sapporo	387	—3
Sekisui Prefab	565	—8
Seven-Eleven	9,050	......
Sharp	1,060	—20
Shimadzu	1,290	+440
Shionogi	686	+1
Shiseido	1,090	+10
Sony	3,650	—80
Stanley	905	—20
S'tomo Bank	1,690	+20
S'tomo Elect	938	—37
S'tomo Marine	630	—10
S'tomo Metal	154	......
Taihei Dengyo	501	—20
Taisei Corp	205	+5
Taisho Pharm	930	+5
Takeda	735	—8
TDK	5,210	—30
Teijin	421	—12
Teikoku	663	—7
Tokyo Marine	707	—3
TBS	865	—5
Tokyo Elect Pwr	1,600	+60
Tokyo Gas	180	+5
Tokyo Sanyo	715	+23
Tokyo Style	720	—3
Tokyu Corp	308	+5
Toppan Print	868	—2
Toray	426	—2
Toshiba Elect	427	—4
TOTO	614	+4
Toyo Seikan	620	+20
Toyota Motor	1,260	......
Victor	1,990	......
Wacoal	740	+10
Yamaha	745	—9
Yamanouchi	2,240	+189
Yamazaki	700	—15
Yasuda Fire	370	+5
Yokogawa Bdge.	420	......

SINGAPORE

Dec. 20	Price $	+ or —
Boustead Hldgs	1.73	+0.05
Cold Storage	2.55	+0.05
DBS	5.75xa	......
Genting	4.88	......
Haw Par. Bros	2.07	+0.02
Hong Leong Fin.	3.1	—0.02
Inchcape Bhd	2.45	+0.03
Keppel Shipyard	1.55	—0.02
Malay Banking	5.65	+0.05
Malay Utd. Ind	2.47	+0.08
Multi Purpose	0.94	......
OCBC	8.95	......
OUB	3.82	—0.06
Public Bank	1.75	+0.03
Sime Darby	1.76	—0.02
Singapore Press	6.1	......
Straits Trdg	4.52	+0.02
Tat Lee Bk	2.9	—0.01
UOB	4.26	+0.06

SOUTH AFRICA

Dec 20	Price Rand	+ or —
Abercom	1.5	......
AE&CI	7.7	......
Anglo Am Coal	39.5	......
Anglo Am Corp	21.8	......
Anglo Am Gold	159.5	—3.5
Barclays Bank	16.5	—0.5
Barlow Rand	10.35	+0.05
Buffels	65	—1
CNA Gallo	2.5	—0.1
Currie Finance	4.4	......
De Beers	8.2	......
Driefontein	47.5	......
FS Geduld	44	......
Gold Fields SA	26	......
Highveld Steel	3.6	......
Nedbank	11.7	......
OK Bazaars	15	......
Protea Hldgs	1.5	—0.1
Rembrandt	28.75	......
Rennies	14.25	......
Rust Plat	14.75	—0.05
Sage Hldgs	7.3	......
SA Brews	6.85	......
Smith (CG)	21.75	—0.25
Tongaat Hulett	7.1	......
Unisec	5.1	+0.1

OVER-THE-COUNTER *Nasdaq national market, closing prices*

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Continued on Page 36

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Bestobell	325	+15
Britannia Arrow	84	+8
Dixons Group	572	+20
Highland Elect	84	+6
Ivory & Sime	92	+9
Mercantile Hse	304	+12
Minet	255	+38
Molins	151	+12
Reliant Motor	47	+5
Telephone Rntls.	192	+7
United Sci	243	+16

FALLS

Aspinall	110	—14
BP	470	—7
Crystalate	230	—15
Equity & Law	260	—10
Grand Met	305	—25
Imp. Cont. Gas	298	—7
Land Securities	310	—7
Lucas Inds	245	—7
MJI Corp	11	—4
Midland Bank	358	—12
Rowntree Mack	378	—7
Shell Transport	630	—15
Xyllyx	15	—8

CANADA

TORONTO

Prices at 2.30pm December 20

[illegible]

We regret the latest Canadian prices are not available for this edition due to a transmission failure.

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 27

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NEW YORK CLOSING PRICES

Continued from Page 27

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LONDON STOCK EXCHANGE

MARKET REPORT

Record-breaking run in equities brought to a halt by continued weakness in sterling

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 10	Dec 20	Dec 21	Jan 7
Dec 24	Jan 10	Jan 11	Jan 21
Jan 14	Jan 24	Jan 25	Feb 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

The record-breaking run in London equity markets came to a halt yesterday amid increasing concern about the plight of sterling. Blue chip industrials sustained their first setback, albeit on a relatively modest scale, after having attained new peaks without interruption over the previous four trading sessions.

Fears that proposals from the current Opec meeting will not be enough to head off a collapse in oil prices prompted fresh weakness in sterling which touched yet another new low of $1.1625 at one stage yesterday.

Oil shares, which encountered heavy overnight selling, led the retreat in equities. Leading issues opened lower, but this failed to deter light offerings. These were easily absorbed and quotations traded on a steadier note after the first hour or so of business.

After the initial flurry of activity, interest gradually began to fade as seasonal influences began to restrict trading. Early firm indications from Wall Street yesterday failed to enliven the late dealings and the FT Ordinary share index, down 8.2 at the first calculation, held around that level for most of the day before drifting off further to close 12.3 lower on balance at 930.3.

Trading statements from Distillers, 9 lower at 297p, and Grand Metropolitan, 25 off at 305p, failed to meet market expectations, while British Petroleum, apart from oil price fears, were further unsettled by a newspaper article suggesting that the Government could sell off a further slice of its holding in the company following a setback in the timing of the British Airways flotation.

Sterling influences were also largely responsible for a fresh fall in Gilt-edged securities. Trading conditions in the sector were extremely thin and sensitive and quotations fluctuated quite sharply before settling with falls ranging to ½ throughout the list.

Minet jump

Lloyds broker Minet Holdings highlighted Insurances, closing 38 up at 255p following persistent speculative buying in a thin market, fuelled by rumours that St Pauls Co's of the U.S. had sold its near-26 per cent stake. Others in the sector continued to push forward on further consideration of their dollar earnings potential. Stewart Wrightson advanced 13 afresh to 503p and Sedgwick added 5 at 345p. C. E. Heath improved 4 to 552p and Derek Bryant gained 8 at 353p. The recently buoyant Life issues succumbed to profit-taking. Equity and Law, 260p, Legal and General, 548p, and Prudential, 498p, all fell 10, while Britannic relinquished 4 at 586p.

A sizeable put-through in Midland depressed the major clearing banks. Quotations rallied a shade in the late dealings, but Midland still sustained a fall of 12 at 358p. Lloyds declined 10 to 518p, after 515p, while Barclays shed 6 at 552p, after 545p, and NatWest gave up a few pence to 582p, after 578p.

Business in British Telecom contracted sharply and the price, which touched a peak of 103½p on Monday, settled 1½ cheaper on the day at 100p.

U.S. computer concern Process Systems made a disappointing market debut; the shares, offered-for-sale at 92p and expected to command a useful premium, opened at 94p and, in the absence of support, drifted back to close at 92p. Household textile importer and distributor Kingsley and Forester, formerly K.O. Boardman, opened at 67p and settled at 66p compared with the placing price of 62p.

The drinks sector provided a couple of the liveliest, but most disappointing features of the session. Preliminary profits from Grand Metropolitan were at the lower end of market estimates and the shares, additionally depressed by the bearish tenor of the chairman's statement, fell 25 to 305p. A similar pattern emerged in Distillers which slumped 10 to 296p, after 294p, following the cautious interim statement. Arthur Bell eased 5 to 160p, after 158p, in sympathy.

Leading Building issues encountered light offerings and dealers were quick to lower values. Blue Circle and BPB Industries both settled 7 lower at the common price of 278p, while Redland shed 4 to 292p. Barratt Developments also lost 4 to 80p, while recently-firm AMEC softened a couple of pence to 255p. Several secondary issues managed to buck the trend. William Leech gained the turn to 127p following the satisfactory annual results. Old takeover favourite Ward Holdings revived and added 3 to 135p, while the Deferred rose 5 to 132p.

A very strong performer in recent days following a re-rating in the wake of its recent major U.S. acquisition, ICI fluctuated narrowly prior to closing unchanged at 744p.

Stores subdued

One of the brightest sectors recently following reports of bumper Christmas spending, leading Stores paused for breath and displayed modest falls across the board; dealers reported only minimal selling. Gussies "A" eased 8 to 695p, while Marks and Spencer gave up a couple of pence to 118p. An exception was provided by House of Fraser which advanced 6 to 316p following Press comment; protagonists Lonrho eased 2 to 162p.

Secondary Stores again highlighted Dixons which responded to revived institutional support and spurted another 20 to 572p. Currys rose 16 more to 630p. In contrast, Harris Queensway gave up 2 to 210p—a three-day decline of 16, while Home Charm dipped 7 to 263p. Superdrug fell 6 to 407p as the third-quarter figures were discounted, but Forminster hardened a few pence to 143p following the interim statement.

United Scientific attracted a good demand and closed 16 higher at 243p on suggestions that the company could now be ripe for a takeover following the departure of chairman, Mr Peter Levene, to the Ministry of Defence. Speculative support was also forthcoming for Highland Electronic, 84p, and Telephone Rentals, 192p, up 6 and 7 respectively, while Renishaw revived with a gain of 28 at 362p. Xyllyx, on the other hand, plummeted 8 to a low for the year of 15p following news of the increased interim deficit and boardroom shake-up. Still reflecting the disappointing preliminary figures, Crystallate dropped 15 more for a two-day decline of 45 at 230p. Thorn EMI, 10 lower at 452p, led the leaders lower during the course of a small business.

Speculation that BAT Industries' near-30 per cent stake in the company was up for sale buoyed Molins which closed 12 better at 151p. Elsewhere in Engineerings, A. Cohen added 20 to 460p in a restricted market and RHP hardened 1½ to 93½p. Among the quietly dull leaders, Hawker lost 8 at 415p.

The Food sector's current takeover favourites slipped back in the absence of any developments. Rowntree Mackintosh gave up 7 to 378p and Ranks Hovis McDougall lost the turn to 125p. United Biscuits, the subject of U.S. bid rumours recently, slipped to 191p before picking up to close unchanged on balance at 194p. Elsewhere, profit-taking in the wake of the interim results left Batleys of Yorkshire a couple of pence cheaper at 82p.

Hanson resilient

The plight of sterling finally put the brake on the miscellaneous industrial leaders. Apart from Hanson Trust, a further 4 dearer at 304p, prices drifted lower as buyers withdrew and light profit-taking ensued. BOC relinquished 5 at 260p and Metal Box, recently bought on rumours of a bid from Hanson Trust, gave up 4 at 392p. Elsewhere, Polly Peck met with renewed support and closed 5 better at 217p, after 223p, while Avon Rubber responded to revived speculative buying and added 6 at 107p. Ricardo, 100p, and Siebe, 502p, added 6 and 7 respectively, while Harvey and Thompson advanced 6 to 108p. MJI, however, fell 4 to 11p following the poor half-year results. Disappointing preliminary figures brought about a reaction of 2 to 18p in Ashley Industrial Trust, and BET closed 5 down at 305p following trading news. Johnson Matthey gave up 3 to 70p as problems concerning the rescue of its troubled Johnson Matthey Bankers subsidiary continued.

Good figures were expected from casino concern Aspinall Holdings following Trident TV's excellent annual results; in the event, the profits proved to be disappointing and the price fell away sharply to close a net 14 down at 110p.

Lucas continued to react to nervous selling in the wake of the chairman's caution at the annual meeting and dipped to 243p before settling 7 lower on balance at 245p—a loss of 22 so far this week. Elsewhere in Motors, Jaguar remained active and touched 231p before reverting to unchanged at 228p. Reliant attracted fresh speculative support and rose 5 to 47p.

Properties were marked down at the outset and drifted lower still. Land Securities lost 7 to 310p and MEPC shed 6 to 312p, while Hammerson A fell 15 to 500p. Slough Estates gave up 4 to 138p, but takeover counter Stock Conversion were only a couple of pence cheaper at 430p. Elsewhere, Speyhawk continued to draw strength from the good annual results and rose 8 afresh to a 1984 peak of 190p

Financials returned to favour and showed widespread gains. M & G advanced 18 to 720p following increased annual profits and dividend accompanied by a proposed 1-for-1 scrip issue. Related issues made progress with Framlington 50 up at 800p, and Henderson, recently firm following the sale of a sbusidiary, another 10 to the good at 555p. *Elsewhere, revived takeover* speculation lifted Britannia Arrow 8 to 84p, and Ivory and Sime 9 to 92p. Mercantile House, aided by "call" option business, rose 12 to 304p.

Shell sharply lower

A growing conviction that oil prices are set to fall in coming weeks and hte welter of heavy selling of five leading oils late on Wdnesday caused a major erosion of confidence in the oil sector. Jobbers marked the leaders sharply olwer at the outset, but the appearance of persistent small buying interest prompted modest gains around mid-day. Afternoon trading, hwoever, saw further substantial selling develop and the majority of the leading stocks fell back sharply to close at, or around *the day's lowest levels.*

Shell were again the major casualty, ending the day 15 off at 630p, compared with the 658p ruling during Wednesday afternoon. BP settled 7 down at 470p, after 468p, IC Gas a like amount lower at 298p and LASMO 5 cheaper at 312p. Britoil dropped to 191p in initial business, but subsequently rallied to close 5 to the good at 200p. Burmah encountered fresh selling and finished 5 cheaper at 218p in the absence of any takeover developments.

Golds lower

Bullion's continud weakness—the metal price dropped below $300 an ounce in far eastern markets at one point but rallied to close only $2.5 lower on balance at $307.25 in London—encouraged a further decline throughout mining markets. An initial mark-down of share prices stemmed an early wave of selling pressure and thereafter business contracted to minimal levels. The Gold Mines index showed an 11.7 loss at 464.5.

Major casualties in the leading heavyweights included Buffels, £1½ off at £29½ and Vaal Reefs which gave up a like amount to £70½. Randfontein lost ¾ at £78¾ ahead of the final dividend. Among the lower priced issues Blyvoor were a vulnerable market and fell away to close 38 off at a 1984 low of 642p, while, in front of dividend announcements, Elsburg eased 6 to 235p and Western Areas 16 to 341p.

Elsewhere, in South Africans Consolidated Murchison dropped 15 more to 560p following the second interim dividend. "Amgold" retreated £1½ to £70, Genbel gave up 13 to 837p and GFSA eased ½ to £11½.

Widespread losses in metal prices and general decline in the UK equity market left London-domiciled financials with minor losses—Rio Tinto-Zinc dipped 5 to 588p—but Charter Consolidated moved against the trend and settled 3 higher at 188p following news that Minorco has increased its holding in the company from 35.7 per cent to 36 per cent.

Australians lacked direction. The performance of Wall Street undermined sentiment in overnight Sydney and Melbourne markets while concern over the immediate prospects for metal prices deterred London buyers of Australian issues.

Business in Traded Options was well distributed throughout the list. Total contracts struck amounted to 7,559—4,041 calls and 3,518 puts. The FT-SE 100 acounted for 751 calls and 594 puts. Grand Metropolitan were lively following the disappointing annual statement, recording 398 calls and 240 puts. Operators also displayed interest in Jaguar with 641 calls struck. Hanson Trust attracted 375 puts, most of which were done in the June 280s. Tesco puts were also wanted, 402 transacted in the June 220s.

FINANCIAL TIMES STOCK INDICES

	Dec. 20	Dec. 19	Dec. 18	Dec. 17	Dec. 14	Dec. 13	year ago
Government Secs.	81.88	82.03	82.26	82.30	82.34	82.58	83.14
Fixed Interest	85.49	85.66	85.78	85.79	85.79	85.95	86.23
Ordinary	930.3	942.6	939.9	938.3	935.4	927.6	776.2
Gold Mines	464.5	476.2	452.2	467.7	504.0	517.5	579.3
Ord. Div. Yield	4.61	4.56	4.58	4.59	4.61	4.64	4.55
Earnings, Yld.% (full)	11.72	11.58	11.63	11.63	11.67	11.76	9.28
P/E Ratio (net) (*)	10.24	10.36	10.32	10.32	10.29	10.21	13.14
Total bargains (Est.)	26,222	24,343	26,711	27,343	27,921	29,435	18,943
Equity turnover £m.	—	437.28	384.96	434.77	436.93	353.94	251.58
Equity bargains	—	25,447	26,406	32,840	33,894	37,595	17,345
Shares traded (ml)	—	208.3	199.6	237.4	246.3	234.4	160.5

10 am 934.4. 11 am 934.8. Noon 935.0. 1 pm 934.6. 2 pm 935.0. 3 pm 933.3.

Basis 100 Govt. Secs. 15/1/28. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=9.90.

HIGHS AND LOWS

—	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Sec.	83.77 (9/1)	75.72 (30/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/5)	80.43 (30/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	942.6 (19/12)	755.3 (25/7)	942.6 (19/12/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/5)	452.2 (18/12)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 19	Dec. 18
Daily		
Gilt Edged Bargains	122.1	137.9
Equities Bargains	164.9	171.1
Equities Value	683.8	778.1
5-day Average		
Gilt Edged Bargains	134.5	137.3
Equities Bargains	203.4	226.6
Equities Value	827.9	801.4

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (17)

FOREIGN BONDS (2)
AMERICANS (35)
CANADIANS (6)
BANKS (4)
BREWERS (2)
BUILDINGS (2)
CHEMICALS (9)
STORES (7)
ELECTRICALS (4)
ENGINEERING (7)
FOODS (6)
INDUSTRIALS (21)
INSURANCE (15)
LEISURE (3)
MOTORS (1)
NEWSPAPERS (3)
PAPER (5)
PROPERTY (4)
SHOES (1)
TEXTILES (2)
TRUSTS (31)
PLANTATIONS (1)

NEW LOWS (25)

BRITISH FUNDS (2)
Exch. 9¼ '98 A (£60 pd.) Treasy. 15pc 1985
BREWERS (1)
Invergordon Distillers
ELECTRICALS (1)
Xyllyx
INDUSTRIALS (6)
Anglo-African Fin. Mathesons Invs. 7¼pc Cnv. 87/92
Barget Morris (W.) Fine Arts
MJI Corpn. Vinten
OILS (9)
Bristol Oil & Mins. ICC Oil
Clyde Petroleum North Sea & Gen. Inv.
Carless Capel Sovereign Oil
Floyd Oil Ultramar
Hadson Petroleum
MINES (6)
Blyvoor HMC Aust.
Cultus Pacific Indian Ocean Res. (1982)
Genbel
Gem Exp. X Minerals

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Bowater Inds	16	213	−20
Crystalate	16	245	−30
Shell Trans	16	645	−5
App'd Comptr	13	275	+5
BAT Inds	13	353	+8
Brit Telecom	13	101½	—
ICI	13	744	+4
Barclays Bank	12	558	+3
Burmah Oil	12	222	−7
Davy Corp	12	84	+4
Jaguar	12	228	+8
Lucas Inds	12	252	−5
Westland	12	125	−11
Beecham	11	385	+12

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Allotment letters or fully-paid. ■ Introduction. ◆ Unlisted Securities Market. † Placing price. ‡ Figures assumed. ‡‡ Official London Listing. ‡: Dealt in under Rule 535(3). † Comprising 100 Prf. and one Pkg. share.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 17	Jan 4	Mar 21	Apr 1
Jan 7	Jan 18	Apr 11	Apr 22
Jan 21	Feb 1	Apr 25	May 7

For rate indications see end of Share Information Service

Call options were arranged in Polly Peck, British Telecom, Barbican, John Brown, Falcon Resources, B. Elliott, Combined Technologies, Hongkong and Shanghai Banking, Wheelock A. Johnson Matthey, Acorn Computer, Eglinton Oil and Gas, Pentland, Mercantile House, Inter-City, Associated Newspapers, Hongkong Land and Crystalate. Puts were transacted in North Kalgurli and Cable and Wireless, while doubles were struck in Gestetner A, Petranol and Berkeley.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BP	470	−7
British Telecom	100	−1½
Britoil	200	+5
Distillers	296	−10
Dixons Group	572	+20
Grand Metropolitan	305	−25
ICI	744	—
Jaguar	228	—
Minet	255	+38
Polly Peck	217	+5
Shell Trans	630	−15
United Scientific	243	+16

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	77	23
Corpns, Dom. and Foreign Bonds	3	36	24
Industrials	244	330	863
Fin. and Props	113	128	302
Oils	13	30	62
Plantations	3	1	13
Mines	18	57	68
Others	87	57	60
Totals	481	743	1,428

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

BRITISH GOVERNMENT INDEX-LINKED STOCKS

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 13,054.

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

Dec. 20. Total contracts 7,559. Calls 4,041. Puts 3,518.
* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP AND LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

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INDUSTRIALS—Continued

1984 High	1984 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
30	20	Martin-Black	22ǂ	...	—	—	—	—
£108	£83	Mathesons 7¾%	£83	−6	Q7¾%	2.3	F9.8	—
404	287	Metal Box £1	392	−4	†15.0	3.2	5.5	6.3
220	129	Metal Closures	154	...	6.3	2.3	5.8	(8.5)
27	12	Metal Sciences 2½p	13	...	—	—	—	—
19	8	Metamec Jentique	8½	...	0.01	—	—	—
133	83	Midland Marts.	90	...	4.0	1.8	6.3	11.4
70	45	Mitchell Cotts	69½	+½	4.0	1.5	8.2	9.9
29	13	Molten Grp 1p	15	...	‡0.5	2.5	4.8	(9.5)
186	132	Morgan Crucible	186	...	†7.5	1.2	5.8	(18.8)
*36	25½	Morris (W) F.A. 20p	25½	−½	bq0.5	4.0	2.8	24.2
110	80	Moss (Robt.) 10p	100	...	‡2.5	2.3	3.6	14.5
330	197	MMW Computers	285	−3	6.0	3.0	3.0	15.9
65	40	Nash Inds.	47	+4	4.0	2.2	12.2	5.4
47	30	Neil & Spencer 10p	39	...	—	—	—	16.8
33	13	Newman Industries	29½	−1½	—	—	—	11.0
31	16½	Do. 10pc Cm.Cnv.Pf.	28½	...	10%	—	7.0	—
67	39	Nolton	46	...	q1.1	4.5	3.4	7.7
183	132	Norcros	169	...	†7.5	2.4	6.4	8.8
86	55	Nu-Swift 5p	62	...	†2.4	3.2	5.5	8.1
100	50	Oakwood Grp.	78	...	‡d6.5	—	‡	—
190	135	Office & Elect	155	...	5.29	4.2	4.8	7.1
107	92	Oldacre 20p	107	...	u4.0	2.6	5.3	9.5
875	650	Orlitzow Intl SA	650	...	†Q53c	2.2	6.8	6.7
46	18	Ovenstone 12½c	18	...	‡Q4.5c	2.2	‡	4.1
£199	£120	Ozalid 9pc Cnv 87-92	£158	−1	Q9%	—	F5.7	—
190	115	PCT Grp 10p	115	...	g4.8	2.9	5.8	7.0
£12½	975	PLM 'B' Sk 25	£11	...	Q20%	3.2	4.2	7.4
62	40	Pacific Sales 10p	58	...	Q2.4	2.2	5.9	(8.8)
207	148	Parker Knoll 'A'	165	−1	9.0	2.8	7.8	6.5
265	197	Pauls	210xd	−3	8.5	2.5	5.8	9.2
590	403	Pearson	583	+5	†14.0	3.0	3.4	11.6
35	18	Peek Holdings	27	...	—	—	—	—
107	89	Peerless	92	...	6.3	1.4	9.8	9.3
268	55	Pentland 10p	268	+3	†hl.74	4.1	0.9	28.5
32	17	Pentos 10p	32	...	8-	—	—	56.7
63	27	Phillips Patents	54	...	1.25	—	3.3	—
£10⅛	545	Photo-Me 50p	£10½	...	9.45	6.6	1.3	14.6
350	222	Pilkington Br. £1	287	...	†12.5	2.9	6.4	6.0
£231	£131	Pitney-Bowes Cnv. Ln.	£230	+8	Q5½%	—	2.5	—
64	32	Plastic Const. 10p	48	...	d2.38	1.0	7.1	(20.7)
9	6	Plaxigum 5p	8	...	8-	—	—	—

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

1984 High	1984 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
46	9	Nimslo Int 20c	16	−2	—	—	—	
31½	14½	Owners Abroad	18¼	−¼	0.75	6.1	5.9	
66	33	Photax (Lon.)	46	...	—	—	—	
29½	20	P'dilly Radio NV 5p	23½	...	1.87	♦	11.9	
130	57	Pineapple Dnc St 10p	78	−2	d1.5	♦	3.1	
420	285	Pleasurama 5p	378	−2	6.5	4.7	2.5	
17½	10½	Pres Entertain 10p	16¼	−¼	bq0.02	2.0	0.2	
158	62	Radio City 'A' NV	65xd	...	5.6	♦	12.3	
70	50	Radio Clyde N/V	55	...	3.25	♦	7.8	
148	30	Riley Leisure 10p	38	...	‡1.2	2.4	‡	
143	94	Saga Hols. 20p	143	+1	†3.75	1.6	3.7	
580	145	Samuelson Grp £1	560	...	h6.65	3.6	1.7	
27½	18	Sangers Photo 10p	26	...	bq1.25	1.8	6.9	
150	138	Scarro 50p	138	...	bq5.68	2.2	3.8	
190	98	Scott. TV 'A' 10p	162	...	†8.1	2.9	7.1	
413	186	SeaCo Inc $0.125	321	+2	—	—	—	
36	10	SelecTV 10p	11	+1	—	—	—	
145	122	Spectrum 5p	140	−2	g2.0	4.8	2.0	
37	24	TSW 5p	32	...	1.5	♦	6.7	
157	79	TVS N/Vtg 10p	133	...	5.0	♦	5.5	
*142½	102½	Television Svcs 50p	130	−2	1.5	4.2	1.6	
90	60	Tottenham Hotspur	74	...	d2.3	1.6	8.0	
180	120	Trid'nt TV 'A' 10p	180	+4	7.5	♦	6.2	
173	100	21st Century Dist	126	...	—	—	—	
197	135	Tyne Tees TV 'A' £1	165xd	...	10.5	♦	9.1	
101	53½	Ulster TV N/V 'A'	93	...	4.75	♦	7.3	
28	17	Webb (Jos.) 5p	26	...	d0.51	1.0	2.8	
98	88	Zetters 5p	91	...	3.25	3.0	5.1	

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1984 High	1984 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
76	33	BL 50p	40	...	—	—	—	
325	227	Gen. Mts. Units	325	...	Q12c	—	3.0	
468	294	Honda Motor Y50	439	−5	Q23%	8.6	0.9	
231	170	Jaguar	228	...	b7.75	2.8	5.9	
85	54	Lotus Car 10p	73	...	—	—	—	
47	20	Reliant Motor 10p	47	+5	—	—	—	
£23½	£16½	Volvo Kr25	£21⅝	+¼	Q23%	0.6	2.5	

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

1984 High	1984 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
280	145	Falcon Z50c	160	...	Q100c	♦	36.4
17	8	Wankie Col. Z$1	12	...	—	—	—
21	14	Zam.Cpr.SBD0.24	14¼	...	—	—	—

Australians

1984 High	1984 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
41	17	ACM 50c	34xd	...	—	—	—
38	17	Allstate Expl'n, NL	22	−1	—	—	—
10½	3½	Asia Oil & Minerals	3½	...	—	—	—
20	12	Aust. Hydrocarbons NL	18	...	♦	—	—
28	11	Australis Mng N.L.	11	...	—	—	—
45	15	Balmoral Res.	19	+1	—	—	—
36	18	Black Hill Mins	19	...	—	—	—
86	51½	Bond Corp	82	...	‡Q6.67c	♦	6.0
177	90	Bougainville 1 Kina	117	−1	‡Q16.4c	1.2	‡
406	276	CRA $2	346	+4	†Q12c	1.5	2.4
86	44	Carr Boyd 20c	58	...	—	—	—
40	18	Central Kalgoorlie	20	...	—	—	—

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

OPTIONS — 3-month call rates

[illegible]

"Recent Issues" and "Rights" Page 29

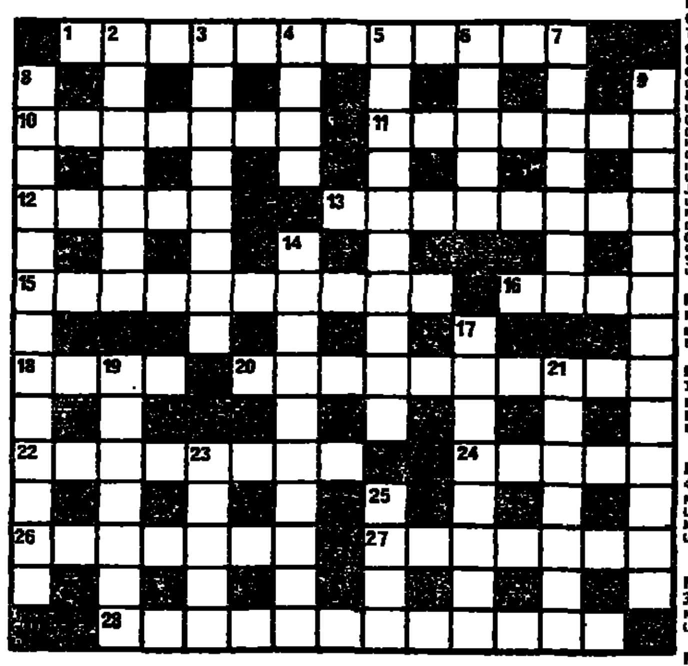
[illegible]

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE NO. 5,601



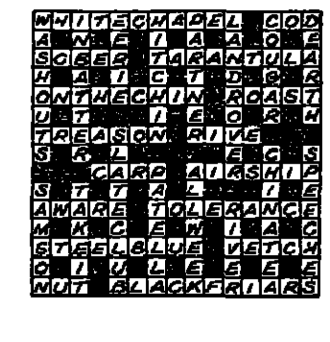
ACROSS

1 Confront the orchestra—like a conductor has to? (4, 3, 5)
10 Seating is never enough with such chairs (7)
11 African tribesman returns after rainstorm in Kenya (7)
12 Put up a temporary construction ready to drill for oil (3, 2)
13 Fit as a lithe cat might be (8)
15 They are not suited for their work (4-6)
16 Miner's union? (4)
18 Time for just one thing (4)
20 A sign that a professional man is prepared to do business (5, 5)
22 Left in error? (3, 5)
24 Island it would be hard to con? (5)
26 Profligate poet? (7)
27 Possibly be a rich Israelite (7)
28 March in April, usually (6, 6)

DOWN

2 A ship, for example, with first-rate missile (7)
3 Prank ceased being funny when father came in (8)
4 Successfully defend part of a ship (4)
5 A way to regulate the economy from Roman times (10)
6 Upset to make light of (5)
7 Loud chuckle first heard from Lewis Carroll (7)
8 Artist who leaves his mark? (13)
9 An all-round measure (13)
14 Put on too much weight (10)
17 Where typists may get out-of-this world drinks? (5-3)
19 A number in Exeter possibly going rather too far (7)
21 Be a clumsy fat lover of Heloise (7)
23 Business lacks go in Pakistan (5)
25 Posh sort of business (4)

Solution to Puzzle No. 5,600



هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Wren Commodity Management Ltd
10, St George's St, Douglas, IoM. 0624 25015

Wren Com Fd	12.7	13.2	....	3.10
Chinese Fd	58.8	61.2	....	1.70
PrecMetFd	80.3	83.6	....	8.30
VangCmdyFd	22.8	23.4	....	—
FinFuturesFd	32.4	33.8	....	—

Yamaichi Dynamic Mngt Co SA
10a Boulevard Royal, Luxembourg.

Dynamic Grw Fd	$9.13	−0.15	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST.				01-236 0952
Call Fund	8.91	9.12	6mth	Call
7-day Fund	9.46	9.69	6mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St EC4N 6AE.				01-236 1425
Call Fund	8.69	8.87	6mth	Call
7-day Fund	8.97	9.17	3mth	Call
MnyMgAc	8.375	8.64	6mth	Call
Dollar	6.19	6.28	6mth	2-day

Money Market Bank Accounts

	Nom	Apr	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY.				01-638 6070
TreasuryAcc	9.375	9.71	Qtr	Call
Mth Int Chq	9.25	9.65	Mth	Call
Bank of Scotland				
38 Threadneedle St, EC2 2EH.				01-628 8060
Cheque Acc	9.25	9.65	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton.				0604 252891
High Int Chq	9.25	9.57	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circ, EC2M 5QL.				01-588 2777
Cater Allen	9.00	9.38	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH.				01-248 3999
Sterling	9.00	9.381	Mth	Call
U.S. Dollar	7.50	7.763	Mth	Call
German Marks	5.0	5.116	Mth	Call
Swiss Francs	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call
Choulartons				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW.				061-928 9011
Cheque Acc	9.75	10.20	Mth	Call
Co-operative Bank				
78-80 Cornhill EC3.				01-626 6543 Ext 464
Under £1,000	8.00	8.24	Qtr	Call
Over £1,000	10.00	10.38	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon, TQ9 6JE.				0803 862271
MnyMktAcc	9.50	89.84	Qtr	Call
Henderson/Bank of Scotland				
38 Threadneedle St, EC2P.				01-628 8060
MyMtChqAc	9.25	9.65	Mth	Call
Lombard North Central plc				
17 Bruton St, W1A 3DH.				01-409 3434
Notice Dep	9.75	10.12	Rate	14-day
M & G Kleinwort Benson				
91-99 New London Rd, Chelmsford.				0245 51651
HighIntChqAc	9.30	9.74	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield.				0742 20999 Ext 8738
High Int Chq	9.30	9.62	Qtr	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford, RM1 3LB.				0708 66966
HighIntMkAc	9.00	9.41	Daily	Call
Premier Acc	9.00	9.41	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX				0272 732241
Demand Acc	9.13	9.47	Qtr	Call
Money Acc	9.375	9.71	Qtr	Chq.7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth.				0705 827733
Special Acc	8.90	9.27	Mth	Call
Over £10,000	9.15	9.54	Mth	Call

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. § Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase.

Surprise fall in aluminium price

BY JOHN EDWARDS, COMMODITIES EDITOR

A SUDDEN drop in aluminium prices on the London Metal Exchange took traders by surprise yesterday. The market opened higher, reflecting the decline in the value of sterling against the dollar, but then came under heavy selling pressure with the three months quotation eventually closing £25.5 down at £925.75 a tonne.

The market was unsettled by the latest figures from the International Primary Aluminium Institute showing that western world production of aluminium was virtually unchanged in November compared with October.

It has generally been expected that the recent cuts in output announced by producers would be reflected in a lower production figure in November leading to a reduction in stocks.

Instead the daily production rate was virtually unchanged at 33,900 tonnes and total monthly output was 1,017m tonnes compared with 1,050m tonnes in October and 969,000 tonnes in November last year.

At the same time speculative selling in the aluminium futures market was triggered when prices fell through the $1,100 a tonne level. This was considered by chartists to be an important resistance point.

Nickel futures also lost ground as the recent scarcity of nearby supplies eased. The cash price closed £70 down at £4,112.5 a tonne, moving to a discount below the three months quotation. This was £33.5 down at £4,149.

In contrast, tin prices rose to record levels reflecting the decline in the value of sterling against the Malaysian dollar. The standard grade cash price gained £37.5 to £9,955 a tonne with speculative buying encouraged by the prospect of breaking above £10,000-a-tonne for the first time.

Gold fell to $298 in Australia overnight and traded in London at a new 2½-year low of $302.50-$303.50 before rallying in the afternoon to close at $307.25 an ounce, $2.50 down on the previous day.

U.S. wheat cuts likely

BY NANCY DUNNE IN WASHINGTON

CHICAGO TRADERS were expecting sharp cuts in soft red winter wheat acreage to show up yesterday in a U.S. Department of Agriculture report on winter wheat plantings for 1984-85.

While analysts' estimates of planted acreage ranged widely, most were between 59.5m acres and 61.5m acres, a drop from last year's planting ranging from 3.6 per cent to 6.7 per cent. Most of the decline is expected to come in soft red winter wheat, which is traded on Chicago Board of Trade.

Wheat futures prices have been rising in advance of the report. However analysts said the reductions in planted acreage were expected and most traders have already factored their concerns into the market in the past two months.

Meanwhile, the American Farm Bureau Federaion reported on Wednesday that, in spite of the strong dollar, which hurt exports, U.S. farmers sold more than $144bn (£121bn) in commodities last year, less than $1bn short of the sales record set two years ago.

Cattle and calves led the farm commodities list, selling for $29.5bn. Dairy producers with $17.8bn in milk and cream.

Maize and soyabeans were the most valuable crops, the report said, with each selling more than $12.5bn.

Mr Robert Deland, president of the federation, said farmers had achieved near-record sales in spite of credit and financial problems, wet planting and harvest seasons, avian flu and citrus canker, Mediterranean fruit flies and boll weevils.

He predicted that U.S. exports would rise next year as the world recovery continued. He said the dollar may weaken by up to 15 per cent, allowing the U.S. to regain lost export markets.

NZ steps up criticism of U.S. over dairy pact

NEW ZEALAND yesterday stepped up its criticism of the U.S. for withdrawing from the International Dairy Agreement. Mr Jim Graham, New Zealand Dairy Board chairman, said in a statement issued in London that the implications of the move for his country were very serious and that the U.S. action jeopardised the entire agreement.

The U.S. formally notified the General Agreement on Tariffs and Trade of their decision this week. It marks the start of a fresh campaign to liberalise world agricultural markets and displays U.S. anger at EEC dumping of dairy surpluses on the world market.

"Regrettably it is New Zealand and not the EEC which stands to lose the most," Mr Graham said.

● SRI LANKA'S Government will launch a $200m programme next year to develop its tea, rubber and coconut plantations, Information Minister Anandatissa de Alwis told reporters in Colombo.

● THAI RICE exports will fall by 10.5 per cent to about 4m tonnes next year and remain at that level in 1986, the Thai Government's business economics department said in a preliminary forecast.

● RUBBER OUTPUT in Thailand would rise by 6.5 per cent to 650,000 tonnes and grow another 8 per cent to 707,000 tonnes in 1986, the Commerce Ministry said.

● BRITAIN'S 1984 sugar harvest is nearing completion with only 7 per cent of the crop still in the ground, 26 per cent in clamps and 67 per cent already delivered to factories, British Sugar said.

● DENMARK'S HARVEST was 36 per cent higher this year than last and 21 per cent up on the average for the past five years, the National Statistics Office said. The 1984 harvest totalled 17.1bn fodder units against 12.5bn last year. A fodder unit is equivalent to the fodder value of 1 kg of barley.

● MALAYSIA has cut the export duty on most grades of Malaysian rubber to ⅞ cents per kilo from ½.

French face milk quota nightmare

BY JOHN CHERRINGTON, RECENTLY IN FRANCE

THE IMPOSITION of milk quotas in France must be an administrator's nightmare. Unlike the UK, where all milk passes through five milk marketing boards, there are in France something more than 400 separate dairies—co-operative and private—busily competing for supplies for their particular trading needs.

So when I asked farmers just what they were going to do to cut their production, they simply laughed and said that if one dairy was going to refuse milk there was always someone else not far away who would oblige.

Though they may utter these brave words in private, they are making public protests to impress their views on their ministers. None the less they do not forget, once they know one's nationality, to impress on one the treachery of Britain importing New Zealand butter.

This is a recurring theme both with milk producers and lamb, and it is difficult to convince the French of the justice of New Zealand's case.

Though the French Government is trying to persuade farmers to give up dairying there seem to be a few takers. At the same time young farmers can obtain considerable government help to start farming and in many cases the only viable prospect is dairying.

In addition there are areas, particularly in the south-west, where, with modern grass and silage techniques milk production must be at least as economic as in the Netherlands or the UK. I was particularly impressed to see herds strip grazing-grass over a wide area of the Loire Valley last week.

I was even more impressed by the growing numbers of young Holstein cattle infiltrating the herd. Once they come into production I expect French milk output to soar. Yields per cow are rising steadily thanks to the replacement of the traditional breeds by the Black and Whites.

So it is going to be difficult for any French Government to enforce quotas on a recalcitrant farming sector and in particular on the dairy farmer, whose pressures, often violent, have secured results from their Government hitherto.

Far from confident, however, were the sheep-farmers I met in the Limousin.

Major sectors have been beef-cattle and sheep with out-of-season lambs reared indoors for most of their lives. Lamb has long been a luxury product in France with its white flesh selling at premium prices.

This market was attacked in the early 1970s by British exporters, with the greatest enthusiasm. French farmers reacted.

To settle the matter the EEC took over the British deficiency payment scheme for sheep which had previously been financed by the UK Treasury. British prices are still protected by the equivalent of a deficiency payment scheme; French prices though, have the support of a ewe-headage payment payable only if throughout the year sheepmeat prices fail to meet the target.

The French market is further protected by a clawback on UK exports equivalent to the premium or deficiency payment payable each week.

According to the French this has not worked out fairly. In contrast to the UK where sheepmeat production is rising steadily, output is declining by about 2 per cent a year. Prices received by farmers are still above those received in the UK and in consequence there is no ewe-headage payment this year.

Land prices have fallen sharply, as they have to an extent all over France and it is becoming increasingly hard to persuade younger farmers to stay in the business.

Though the land is difficult, it will grow cereals and support dairying as alternatives, and the belief is that should the sheep have to go, the mountains of wheat and butter will simply grow higher.

Sporadic demonstrations have taken place this year against imports, including some from the Netherlands. Though they have been muted they have managed to impress M Michel Rocard, the Minister of Agriculture, to receive the sheep-industry leaders this week.

These same leaders were not expecting to obtain much joy from the encounter. They have also had meetings with leaders of Britain's National Farmers Union—a good-tempered exchange of views, I was told.

The French complain that apart from the premium payments British farmers have the advantage of capital grants and hill-sheep subsidies for land at a lower altitude than they farm themselves. They just do not recognise the effect of latitude on climate.

Also, because the British allow importation of huge tonnages of New Zealand lamb, the increasing sheepmeat market is overloaded and depressed anyway.

This is the essence of the case they are presenting to M Rocard, that something must be done to prevent the luxury-lamb market being swamped by increasing quantities of British meat. They cannot afford to see lamb turned into the cheap meat it is in Britain.

Further, what if they do not secure satisfaction from M Rocard? They themselves would approve of nothing illegal but they could not answer for the reactions of the angry farmers.

The best approach, they thought, should be a commission to look at the whole Community sheepmeat market with particular reference to New Zealand and other supplies.

In spite of their protestations of legality I did obtain indications from other sources that a major campaign to impede imports might be being planned. Its success must be in doubt.

EEC ministers agree fish allocation in one sitting

BY IVO DAWNAY IN BRUSSELS

FISHERIES MINISTERS of the EEC astonished even themselves yesterday by concluding a comprehensive agreement on the division of quotas and total allowable catches (TACs) among member-states in a single sitting.

The conclusion of the talks in the early hours of yesterday demonstrates that the new "keys" apportioning the stocks of each species attributable to each country haas created a smooth mechanism for early agreement.

Lengthy negotiations to establish these keys—forming the bedrock of the Common Fisheries Policy—were finally concluded this year when apportionment of the herring stock was agreed.

Yesterday's deal means that for the first time in the CFP's history TACs and quotas have been fixed before the opening of the new fishing year.

Ministers were not slow to congratulate themselves on their achievement. Mr Giorgios Conogeorgis, the Fisheries Commissioner responsible for executing the accord, said the new policy was now consolidated.

Similar declarations came from the usually more critical British fishing industry lobbyists who had been awaiting the talks' outcome. Mr Nigel Atkins, the National Federation of Fisherie's Organisations leader, said: "It now seems we have at last got a workable system in place."

There was also generous praise from the British fishermen for the success of Mr Michael Jopling, the UK minister, in negotiating substantial rises in the commission's proposals for Britain's share for several major species.

These included rises in its allocation for cod, mackeral, herring and haddock. Britain appeared to obtain a disproportionate share of increases in total EEC quotas.

To reach the deal, ministers agreed to improve the proposed TACs — based on scientific analysis of stocks — for the key herring and mackeral fisheries.

An initial ceiling on herring of 413,350 tonnes was raised to 439,850 tonnes while maximum mackeral catches for the EEC fleet went up from 350,000 tonnes to 385,000 tonnes.

The ministers failed to find a long-term solution to all the problems arising from Greenland's scheduled departure

Zimbabwe tobacco exports may rise 20%

By Tony Hawkins in Harare

ZIMBABWE'S TOBACCO exports this year are expected to increase by 20 per cent to Zimbabwe $280m (£102m), following major rises in both output volume and value.

Flue-cured leaf sales on Harare auction floors rose by 26 per cent in volume to 119.6m Kg and 39 per cent in value, to a record Zimbabwe $247m.

The average leaf price rose nearly 10 per cent in Zimbabwe currency to 207 cents a kilo, but in U.S. dollar terms average leaf prices actually declined for the second successive year to 165 U.S. cents a kilo down 1 per cent.

What this means is that while the foreign exchange value of Zimbabwe's tobacco production rose in aggregate terms this year, average leaf prices fell because the rise in the local currency price of tobacco did not keep pace with the steep depreciation of the Zimbabwe currency against the U.S. dollar.

Prices also failed to keep pace with the cost inflation, estimated by tobacco producers at 25 per cent. However, in spite of the drought, growing conditions were virtually ideal for tobacco last season with the result that yields rose 18 per cent to 2,400 kg per hectare.

The crop target has been set at an unchanged 119m kg for the 1984-85 growing season, which has started reasonably well.

Quotas are in force to control output, with the number of growers having risen from 1,200 last year to an estimated 1,275 this season.

This is seen as important because world buyers have expressed concern at continuity of Zimbabwean leaf. Buyers are likely to welcome the fact that the number of growers is rising and that output capacity, without quotas, this season would exceed 130m kg.

Tobacco remains Zimbabwe's chief export, especially at a time of depressed gold prices. Last year tobacco exports were valued at Z$232m.

LONDON MARKETS

THE continued decline in sterling's value against the dollar pushed cocoa and coffee prices higher on the London futures market. Sugar futures prices, however, which are quoted in dollars, ended lower.

Cocoa's rise, which took the March position £19 higher to £1,857-£1,858 a tonne, was influenced by trade short-covering and modest physical inquiry, dealers said.

March delivery coffee futures ended £10 up at £2,246 a tonne, encouraged by firm conditions in early dealings on the New York market.

Nearby sugar futures finished $3 or $4 a tonne lower, reflecting continuing overhead pressure from the continuing bearish supply/demand situation coupled with the strength of the dollar.

MAIN PRICE CHANGES

in tonnes unless otherwise stated

	Dec. 20 1984	+ or —	Month ago
METALS			
Aluminium	£1100	....	£1100
Free Mkt.	$1115/1145	—35	$1180/1210
Copper			
Cash h Grade	£1138.25	+4.75	£1088.5
3 mths.	£1149.75	+3	£1109.75
Gold troy oz.	$307.25	—2.5	$342
Lead Cash	£348	+7	£367.5
3 mths.	£332.5	+6.5	£347.7
Nickel	£5967	....	£5967
Free Mkt.	220/250c	—2	215/234c
Palladium oz.	$128.50	—1	$145.00
Platinum oz.	$291.25	—4.25	$327.00
Quicksilver†	$300/310	....	$295/305
Silver troy oz.	533.20p	—10.45	614.20p
3 mths.	545.15p	—10.85	628.20p
Tin cash	£9955	+37.5	£9597.5
3 mths	£9917.5	+30	£9695
Tungsten	$83.51	....	$85.34
Wolfram 22 04lb	$74/76	....	$77/79
Zinc	£681	+4	£637.5
3 mths	£678	+1.5	£640.75
Producers	$900	....	$900

	Dec. 20 1984	+ or —	Month ago
OILS			
Coconut (Phil)	$925x	—20	$995
Palm Malayan	$600v	....	$625
Seeds			
Copra Phil	$560y	....	$570
Soyabean (U.S.)	$247.5	—1.4	$255
GRAINS			
Barley Fut. Mar	£115.45	+0.05	£109.60
Maize	£146.50x	....	£145.00
Wheat Fut. Mar	£113.25	—0.10	£110.25
No2 Hard Wint.	‡	....	‡
OTHERS			
Cocoa Ft. Mar.	£1857.5	+19	£1879.5
Coffee Ft. Mar.	£2246	+10	£2337.5
Cotton A Index	72.25c	+0.25	‡
Gas Oil Jan.	$221	—2	$239.5
Rubber (kilo)	65p	+2	60p
Sugar (raw)	$101.5xv	—2.5	$111.5
Woolt'ps 64s	487p kilo	......	472p

‡ Unquoted. v Jan. z Feb. y Jan-Feb. x Dec-Jan. † Per 75-lb flask. n Nominal. c Cents per pound.

INDICES

FINANCIAL TIMES

Dec. 19	Dec. 18	M'th ago	Year ago
287.97	289.97	293.91	294.63

(Base: July 1 1952 = 100)

REUTERS

Dec. 20	Dec. 19	M'th ago	Year ago
1909.9	1889.9	1868.7	1970.9

(Base: September 18 1931 = 100)

MOODY'S

Dec. 19	Dec. 18	M'th ago	Year ago
966.4	967.1	986.1	1054.0

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Dec. 19	Dec. 18	Month ago	Year ago
Spot	122.83	122.88	126.27	138.77
Fut	123.68	123.57	128.36	141.65

(Base: December 31 1974 = 100)

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1134.5-5	+5	1138-.5	+4.75
3 months	1145-6	+2	1149.5-50	+3
Settlem't	1135	+5	—	—
Cathodes				
Cash	1138-40	+2	1142-4	+8
3 months	1149-55	+1	1153.5	+1
Settlem't	1140	+2	—	—

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,134, 34.5, three months £1,143, 43.5, 44, 44.5, 45, 46, 46.5. Kerb: Higher Grade: Three months £1,147, 46. Afternoon: Higher Grade: Three months £1,150, 49, 50.5, 49, 49.5, 50, 49.5. Kerb: Higher Grade: Three months £1,146, 47, 48, 49, 50, 51, 53, 52. Turnover: 20,350 tonnes. U.S. Producers: 64.00-68.00 cents a pound.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	347-1	-5.75	347.9	+7
3 months	333.4	+6.75	332.75-.75	+6.5
Settlem't	348	+5	—	—

Lead—Morning: Cash £347, three months £328, 29, 30, 32, 33. Kerb: Three months £332, 33. Afternoon: Three months £333, 32.5, 32, 33, 32.5. Kerb: Three months £332. Turnover: 10,000 tonnes. U.S. Spot: 20.00-26.00 cents a pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	9970.5	+23.5	9970-90	+22.5
3 months	9945-50	+22.5	9950-60	+27.5
Settlem't	9975	+25	—	—
Standard				
Cash	9950.5	+52	9950-60	+37.5
3 months	9914.6	+34	9915-20	+38
Settlem't	9955	+54	—	—
Straits E.	$29.15	—	—	—

Tin—Morning: Standard: Three months £9,915, 10, 13, 15. High Grade: Cash £9,970. Kerb: Standard: Three months £9,915. Afternoon: Standard: Three months £9,905, 3, 5, 10. Kerb: Standard: Three months £9,930. Turnover: 1,310 tonnes.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	674.5-5	-5.75	680-2	+4
3 months	676.5-7	-2.5	677.9	-1.5
Settlem't	675	-6	—	—

Zinc—High Grade Official/Unofficial prices: Cash, am £740-£742, pm £744-£748. Three months, am £720-£725, pm £728-£732; settlement £742. Morning: Three months £676, 76.5, 77. High Grade: Cash £742, 40. Kerb: Three months £677. Afternoon: Three months £678. Kerb: Three months £677, 75, 73, 70. Turnover: 11,200 tonnes. U.S. Prime Western: 46.00-45.75 cents a pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	907-.5	-20.5	904-5	-24
3 months	928-.5	-21	925.5-6	-25.5

NICKEL

NICKEL	a.m. Official	+ or —	p.m. unofficial	+ or —†
Spot	4165-75	-17.5	4110-5	-70
3 months	4190-5	—	4148-5	-33.5

GOLD

Gold fell to its lowest closing level since July 1982 in the London bullion market yesterday. It finished at $307-307½, a fall of $2½ an ounce from Wednesday. However this was some way above the day's low of $302¼-303¼ and represented a sharp recovery from trading in Australia where a low of $298 was quoted. The metal opened in London at $305¼-306¼ and touched a best level of $308¾-$309¼. The firmer trend reflected a rally in New York but this was inhibited by the dollar's continued strength.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Dec.	—	—	—
Feb.	310.00-10.20	-2.10	310.40-05.30
April	—	—	—

Turnover: 701 (264) lots of 100 troy ounces.

GOLD BULLION (fine ounce) Dec. 20

Close	$307-307½	(£262-262½)
Opening	$306½-306¾	(£261-261¾)
M'n'g fix	$303.25	(£259.587)
Aft'n'n fix	$307.50	(£261.925)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$316¾-317½	(£270¾-271½)
½ Krug	$163¼-164	(£139½-140¼)
¼ Krug	$83¼-84	(£71¼-71¾)
1/10 Krug	$34-34½	(£29-29½)
Mapleleaf	$316¾-317½	(£270¾-271½)
New Sov.	$72¼-72¾	(£61¾-62¼)
½ New Sov.	$44¼-45	(£37¾-38¼)
Old Sov.	$72½-74	(£62-63¼)
$20 Eagle	$550-580	(£470¼-496)
Noble Plat	$299-302½	(£255¾-258¾)

SILVER

Silver was fixed 10.45p an ounce lower for spot delivery in the London bullion market yesterday at 533.2p. U.S. cent equivalents of the fixing levels were: spot 622c, down 16.8c; three-month 634.3c, down 17.1c; six-month 649.1c, down 18.4c; and 12-month 681.5c, down 19.1c. The metal opened at 530-533p (620-623c) and closed at 538-541p (630-633c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	533.20p	-10.4	536.5p	-3.5
3 months	545.15p	-10.5	549.25p	-3.25
6 months	558.45p	-11.8	—	......
12 months	515.45p	-12.3	—	......

LME—(2,000 oz contract): cash 536.5p (540p); three months 549.25p (552.5p). Turnover: 0 (0).

Turnover: 63 (25) lots of 10,000 oz. Morning: large 1st ring three months 547, 2nd ring cash 533, three months 545. Kerb: untraded. Afternoon: untraded.

COCOA

During an active day futures traded in a narrow range to close on a firm note. Some physical interest was seen with both second-hand business and light producer selling, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Dec.	1840-1842	+20.0	1842-1820
March	1857-1858	+19.0	1861-1835
May	1877-1878	+31.5	1880-1844
July	1889-1890	+36.5	1887-1858
Sept.	1880-1885	+24.0	1889-1855
Dec	1840-1844	+23.5	1845-1816
Mar	1825-1850	+30.0	—

Sales: 5,312 (3,625) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for December 20: 96.15 (95.47); five-day average for December 21: 96.09 (96.24).

COFFEE

The market opened as due, about £15 higher, helped by weak sterling. In light volume the market drifted lower. Short-covering in the nearbys during the final session took the market to the highs, reports Drexel Burnham Lambert.

COFFEE	Yesterd'ys Close	+ or —	Business Done
January	2260-2263	-30.5	2262-35
March	2245-2247	+10.0	2254-30
May	2227-2228	+7.5	2226-10
July	2228-2230	+6.5	2230-13
Sept.	2222-2226	+1.0	2225-13
Nov.	2215-2230	—	2225-17
Jan	2207-2220	+5.0	—

Sales: 2,597 (2,522) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound for December 19: Comp. daily 1979 132.99 (133.12); 15-day average 134.01 (134.15).

GRAINS

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterd's close	+ or —
Jan.	109.60	-0.05	110.45	-0.10
Mar.	113.25	-0.10	113.45	+0.05
May.	117.05	+0.05	116.60	+0.10
July.	118.90	—	—	—
Sept.	97.95	—	97.75	—
Nov.	101.25	-0.15	100.95	—

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent Jan 167.60, Feb 171.20, Mar 173.05 transhipment east coast. U.S. no 2 soft red winter Jan 149.75, Feb 149.50, Mar 149.25. English feed fob Jan 112, Mar 114 sellers east coast. Maize: U.S. no 3 yellow/French Dec/Jan 146.50 transhipment east coast. Barley: English feed fob Jan 114, Mar 16.75 sellers east coast. Rest unquoted.

PIGMEAT

Substantial profit-taking pushed prices lower while trade selling found buyers cautious in view of an expected increase in physical supplies, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	110.20	111.60	111.80-09.40
April	109.50	109.80	109.50-08.50
June	106.70	106.90	106.70-05.00
Aug	101.70	104.00	102.50-01.00
Oct	109.00	109.70	109.00-08.50
Nov	108.70	109.40	108.00-07.60

Sales: 149 (71) lots of 50 carcases, 3,250 kg.

POTATOES

The market broke new low ground in the old crop positions. Some support was evident at £53, basis April, throughout the day and the market tested this area several times before closing on a weak note, reports Coley and Harper.

Month	Yesterdy's close	Previous close	Business Done
	£ per tonne		
Feb.	46.00	46.50	46.00-45.50
April	53.60	54.80	55.00-53.50
May	56.00	57.00	56.50-55.80
Nov	71.60	70.50	72.50
Feb	82.00	82.50	—

Sales: 500 (724) lots of 40 tonnes.

COTTON

LIVERPOOL—No spot or shipment sales were recorded. Ordering was restricted and the offtake was confined to minimum quantities. Slow trading persisted in certain specialist growths.

RUBBER

PHYSICALS—The London market opened easier, was dominated by currency factors throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 63.00p (61.00p); Feb 73.75p (73.25p); March 74.50p. The Kuala Lumpur Dec fob price for RSS No 1 was 189.0 (191.0) and for SMR 20 was 182.5 (183.5).

OIL

Several cargoes of January Brent were traded at gradually lower levels from $26.70. Arab Gulf crudes were similarly traded but in a relatively stable manner. Nymex opened 8c down and by 1 pm EST had fallen by 30c. Products fell on worries that Opec's latest price structure will not hold. Gas oil and heavy fuel oil prices weakened with ample January supplies reported.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.45-27.55	—
Arab Heavy	26.15-26.20	+0.05
Dubai	26.60-26.65	-0.05
Brent Blend	26.55-26.60	-0.275
W.T.I. (1pm est)	26.25-26.35*	-0.30
Forcados (Nigeria)	27.00-27.20	+0.025
Urals (cif NWE)	27.30-27.60	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	237-239	-1
Gas Oil	220-222	—
Heavy fuel oil	183-185	—

All January, except * which is February

Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Dec.	218.25	-2.25	218.75-18.00
Jan	221.00	-2.00	221.50-19.75
Feb	220.75	-2.25	221.25-19.75
March	216.75	-3.00	218.25-16.75
April	216.00	-3.50	218.00-14.50
May	214.50	-2.00	215.00-14.00
June	215.00	-2.75	215.00-15.00

Turnover: 1,584 (1,595) lots of 100 tonnes.

SOYABEAN MEAL

The market opened unchanged before easing slightly, reports T. G. Roddick. During the afternoon prices recovered.

	Yesterday close	+ or —	Business Done
	£ per tonne		
Dec.	—	—	—
Feb	145.70-45.90	+0.55	145.80-45.00
April	145.80-45.90	+0.35	146.55-45.50
June	146.2-46.7	+0.25	146.50
August	147.50-48.5	-0.50	—
October	149.00-51.5	-0.2	—
Dec.	150.50-52.0	-0.3	—

Sales: 343 (104) lots of 20 tonnes, 0 (0) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $101.50 (£87.00), down $2.50 (down £1.00) a tonne for Dec-Jan-Feb delivery. White sugar $137.00, down $3.50.

Prices drifted lower on some scattered book-squaring ahead of the holidays, reports C. Czarnikow.

Sales: 2,712 (2,494) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £192.00 (£193.00) a tonne for export.

No.6 Con-tract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	118.2-118.4	122.0-123.0	123.0-117
May	127.0-127.4	130.8-131.0	130.8-127
Aug	137.0-137.4	140.8-141.2	140.8-135
Oct	144.2-144.4	147.6-148.2	148.2-142
Dec	151.0-152.0	154.0-155.2	155.0-150
Mar	166.2-166.6	169.2-169.8	169.4-165
May	172.8-172.8	175.0-176.8	175.0-170

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for December 19: Daily price 3.38 (3.47); 15-day average 3.76 (3.81).

U.S. MARKETS

GOLD AND SILVER were lower with selling concentrated on gold as fears of Middle East liquidation following the lack of an agreement by Opec limited buying interest, reports Heinold Commodities. Copper met sympathetic selling in line with precious metals. Sugar traded under pressure on fears that additional cash supplies will become available early in the first quarter of 1985. Cocoa was able to retrace to the upside as light manufacturer pricing developed. Coffee firmed reflecting speculative buying. Cotton was weak as trade selling depressed values and more favourable weather prevailed in Texas. Heating oil prices sold off again sharply as the Opec meeting produced no positive proof of an impending agreement on pricing policies. Grains and soyabeans were fractionally lower in extremely light trading just ahead of the winter wheat production estimate. Only wheat found support on the close to finish slightly higher in anticipation of lower winter wheat plantings.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	47.55	—	—	48.60
Jan	47.60	—	—	48.65
Feb	48.00	—	—	49.05
March	48.40	49.00	48.00	49.50
May	49.15	49.75	48.75	50.30
July	49.90	50.60	49.70	51.10
Sept	50.65	51.30	51.20	51.90
Dec	51.85	—	—	53.15
Jan	52.25	—	—	53.55
March	53.05	—	—	54.40

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2063	2065	2040	2036
May	2083	2085	2059	2056
July	2084	2084	2061	2055
Sept	2085	2085	2065	2063
Dec	2043	2039	2030	2024
March	2043	—	—	2021
May	2033	—	—	2011

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Dec	133.55	33.45	33.25	33.28
March	140.53	40.65	39.65	40.09
May	138.30	38.30	37.60	38.08
July	136.70	36.70	35.98	35.28
Sept	135.11	35.11	34.50	34.30
March	132.55	—	—	32.05
May	131.70	—	—	30.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Dec	57.60	58.60	57.60	58.20
Jan	57.65	58.80	58.65	58.25
Feb	58.00	—	—	58.65
March	58.40	59.85	58.30	59.05
May	59.10	60.45	59.10	59.75
July	59.80	61.25	59.70	60.45
Sept	60.50	61.75	60.95	61.15
Dec	61.55	62.45	61.65	62.27
Jan	61.90	63.00	63.00	62.57
March	62.60	63.70	63.65	63.29

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	66.04	66.60	65.90	66.76
May	66.80	67.30	66.78	67.52
July	67.75	68.15	67.75	68.25
Oct	68.35	68.35	68.35	68.55
Dec	68.45	68.55	68.42	68.66
March	69.50	—	—	69.55
May	70.15	—	—	70.30

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Feb	26.30	26.47	26.04	26.36
March	25.24	26.36	25.95	26.28
April	26.10	26.23	25.88	26.16
May	26.00	26.10	25.82	26.13
June	25.91	26.00	25.91	26.09
July	26.19	26.19	26.19	26.06

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	307.3	307.0	304.7	308.7
Jan	307.6	—	—	309.1
Feb	309.6	311.5	306.5	311.1
April	313.6	315.5	310.7	315.1
June	318.3	319.6	315.2	319.8
August	322.8	322.5	320.1	324.3
Oct	327.7	329.0	325.0	329.2
Dec	332.9	335.0	330.0	334.4
Feb	338.5	337.2	337.2	340.0
April	344.1	—	—	345.6
June	350.3	348.0	348.0	351.8
August	356.6	358.0	355.0	358.1
Oct	363.3	—	—	364.8

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Jan	73.40	74.00	72.60	73.87
Feb	73.90	74.40	72.95	74.17
March	71.86	72.20	71.00	71.87
April	69.65	70.10	69.10	69.75
May	68.40	68.60	68.00	68.80
June	68.00	68.00	68.00	67.75

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	160.30	61.50	60.00	61.70
March	161.60	63.50	61.50	63.50
May	162.50	64.30	62.50	64.05
Sept	161.30	62.00	61.40	62.30
Nov	159.00	60.50	60.50	60.90
Jan	159.25	—	—	60.75
March	159.25	—	—	60.75

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	286.1	89.5	86.0	291.1
Jan	286.1	91.0	85.5	291.1
April	291.6	96.0	91.0	296.6
July	298.4	92.7	98.5	303.4
Oct	305.5	99.5	98.5	310.5
Jan	312.8	—	—	317.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	632.2	638.0	624.5	630.0
Jan	632.8	636.0	634.0	631.3
Feb	637.1	—	—	635.3
March	641.5	648.0	634.0	639.5
May	651.1	658.0	644.0	649.0
July	661.0	668.5	652.0	658.8
Sept	671.7	675.0	665.0	669.4
Dec	688.8	691.0	680.0	686.4
Jan	694.6	—	—	692.2
March	706.1	708.0	—	703.6

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	3.54	3.89	3.50	3.70
March	4.17	4.35	4.15	4.32
May	4.50	4.70	4.49	4.66
July	4.79	5.00	4.78	4.97
Sept	5.05	5.26	5.06	5.25
Oct	5.25	5.46	5.23	5.44
Jan	5.77	5.97	5.77	5.96
March	6.21	6.45	6.20	6.42
May	6.45	—	—	6.68

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	66.86	67.17	66.70	67.00
Feb	65.87	66.10	65.65	65.90
April	67.17	67.30	67.00	67.30
June	66.82	67.00	66.67	66.97
August	64.90	65.07	64.85	65.02
Oct	62.90	63.15	62.80	63.02
Dec	64.30	64.55	64.30	64.60

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	51.67	51.87	51.42	51.86
April	47.80	48.10	47.75	48.30
June	51.12	51.30	50.90	51.30
July	51.47	51.50	51.15	51.42
August	49.12	49.15	48.65	48.87
Oct	45.50	45.55	45.00	45.70
Dec	45.50	46.00	45.50	46.46
Feb	46.50	47.00	46.25	47.25

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
March	267.4	268.6	267.2	268.2
May	274.6	276.0	274.6	275.4
July	279.0	280.0	279.0	279.6
Sept	276.0	276.4	275.8	276.2
Dec	272.4	273.2	272.0	272.6
March	284.0	284.4	283.6	284.2
May	290.4	291.0	290.4	—

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	72.75	73.00	71.90	73.42
March	72.57	72.75	71.80	73.20
May	73.27	73.50	72.55	73.65
July	72.85	73.35	72.80	73.45
August	70.32	70.70	70.20	70.90
Feb	65.85	66.75	65.65	66.45

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Jan	586.4	592.2	586.2	590.2
March	600.0	606.2	598.6	603.6
May	612.6	619.0	612.4	616.6
July	622.5	629.0	622.4	626.6
August	625.2	631.4	625.2	628.0
Sept	620.4	624.0	620.4	621.4
Nov	623.0	626.0	621.6	622.4
Jan	636.6	—	—	636.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Jan	144.0	145.5	143.9	143.8
March	149.7	150.3	149.5	149.5
May	155.0	155.8	154.8	155.1
July	160.0	160.8	159.8	160.1
August	161.4	—	—	161.5
Sept	163.1	—	—	163.5
Oct	164.6	166.0	164.6	165.0
Dec	170.0	170.5	170.0	169.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Jan	25.98	26.34	25.95	26.09
March	25.13	25.80	25.12	25.48
May	24.76	25.50	24.75	25.25
July	24.47	25.20	24.45	24.95
August	24.15	—	24.15	24.63
Sept	23.95	24.40	23.95	24.40
Oct	23.62	23.90	23.60	23.80
Dec	23.30	23.65	23.30	23.47

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	344.0	344.2	342.2	343.2
May	338.2	338.4	336.6	337.6
July	332.0	332.2	330.6	331.4
Sept	334.4	334.6	334.0	334.0
Dec	344.4	344.6	343.6	344.4

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg.: Dec 580.0, 600.0, 600.0-596.0; March 581.0, 482.0, 581.5; May 584.0, 590.0, untraded; July 590.0, 597.0, u/t; Oct 578.0, 585.0, u/t; Dec 584.0, 587.0, u/t; March 593.0, 596.0, 595.0: May 596.0, 601.0, u/t. Sales: 51.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Dec 502, 509, 508; Jan 505, 509, 510-509: Mar 517, 518, 518-517; May 526, 527, 527-526; Aug 541, 543, 543; Oct 541, 545, 545; Dec 542, 548, 546; Jan 546, 548, 548-547; Mar 553, 555, 553; May 559, 560, 560-59. Sales: 69.

ROTTERDAM

ROTTERDAM, December 20.

WHEAT—(U.S. $ per tonne), U.S. No. 2 Soft Red Winter: Jan 168.60, Feb 168, March 167.50, March 166, U.S. No. 2 Northern Spring, 14 per cent protein: Dec 177, Jan 181, Feb 184, March 186, April/May 172. U.S. Northern Spring, 15 per cent protein: Dec 15/Jan 15 195, April/May 188.50. U.S. No. 3 Hard Amber Durum: Dec 200, Jan 202, Feb 204, March 205, April/May 185, June 187, Sept 184. Canadian No. 1 Western Amber Durum: April/May 207.50.

MAIZE—(U.S. $ per tonne), U.S. No. 3 Yellow: Afloat 132.50, Dec 130.50, Jan 129.25, Feb 130.50, March 130.75, April/June 132.50, July/Sept 134.50, sellers. Argentine, Plate: March 136, April/June 134, sellers.

Soyabeans—(U.S. $ per tonne): U.S. No two yellow Gulfports afloat 241.50, Dec 241.50, Jan 242.15, Feb 243.30, March 245.70, April 247.80, May 249, June 251.20, July 252 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 165, Dec 166, Jan 166, Jan/March 166, April/Sept 173 sellers. Pellets Brazil afloat 182, Dec 180, Jan 181.50, Feb 182, March 174.50, April and May 173, April/Sept 176 sellers. Pellets Argentina afloat 173-170, Dec 170, Jan 169, Feb and March 172, May/Oct 173 sellers.

PARIS

SUGAR—(FFr per tonne): Mar 1323/1325, May 1370/1375, Aug 1448/1455, Oct 1498/1500, Dec 1560/1585, Mar 1670/1700.

COCOA—(FFr per 100 kg): Dec 1990/2016, Mar 2048/2050, May 2065/2080, July 2080 bid, Sept 2070 bid, Dec 2035/2060, Mar 2065 ask.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling continues to weaken

Sterling continued to lose ground in very thin trading yesterday, touching record lows against the dollar and on its exchange rate index. The latter *fell to 73.0 from 73.3, having* touched an all time trading low of 72.7, and compared with a six months ago figure of 79.4. Fears of lower oil prices seemed to be the driving force behind sterling's decline but there appeared to be little chance of making any sensible assessment until aftert he New Year.

Against the dollar it fell to an all-time low of $1.1625 in London bu trecovered slightly to finish at $1.650-1.660, itself a record closing low and down from $1.1740-1.1750 on Wednesday. Against the D-mark it slipped to DM 3.63 from DM 3.64 and SwFr 2.9925 compared with SwFr 3.0025. It was also weaker against the yen at Y288.50 from Y291.0 and FFr 11.0575 from FFr 11.1450.

The dollar finished the day on a firm note, rising to a two month high against the D-mark to close at DM 3.1240 up from DM 3.0990. It was also higher against the Swiss franc at SwFr 2.5710 from SwFr 2.5580 and Y248.05 compared with Y247.70. Against the French franc it rose to FFr 9.5575 from FFr 9.4850. For much of the day the dollar had been confined to a relatively *narrow range but short covering* late in the day pushed it around the best levels of the day at the close.

News of a 0.2 per cent rise in the U.S. consumer price index compared with a market estimate of 0.3 per cent and gave further indications that U.S. inflation is well under control for the time being. On Bank of England figures, the dollar's index rose from 143.2 to 143.4.

D-MARK — Trading range against the dollar in 1984 is 3.1410 to 2.5533. November average 2.9906. Trade weighted index 120.5 against 125.0 six *months ago.*

The dollar was fixed at DM 3.1063 at yesterday's fixing in Frankfurt, up from DM 3.0900 on Wednesday and the Bundesbank sold $48.75m at the fixing. There were also indications of a limited amount of open market intervention. Sings of a continued in expansion in U.S. economic growth underpinned the dollar and offset, for the time being, the effects of a recent downturn in U.S. interest rates. Sterling was fixed at DM 3.6200 down from DM 3.6390 and was plagued by fears of lower oil prices.

Elsewhere the Swiss franc eased to DM 1.2118 from DM 1.2122. Within the EMS the Belgian franc was unchanged at DM 4.9850 per BFr 100 while the French franc improved to DM 32.65 per FFr 100 from DM 32.635. The Dutch guilder was lower at DM 88.54 per Fl 100 compared with DM 88.58.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.6995	−0.45	+0.18	±1.5428
Danish Krone ...	8.14104	7.97987	−1.98	−1.35	±1.6421
German D-Mark	2.24184	2.22777	−0.63	—	±1.1463
French Franc ...	6.87456	6.82233	−0.76	−0.13	±1.3659
Dutch Guilder...	2.52595	2.51585	−0.40	+0.23	±1.5165
Irish Punt	0.72569	0.713758	−1.64	−1.01	±1.6671
Italian Lira	1403.49	1370.85	−2.33	−2.25	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX

(Bank of England)

	Dec 20	Previous
8.30 am	72.9	73.7
9.00 am	72.7	73.7
10.00 am	72.8	73.5
11.00 am	72.7	73.4
Noon	72.7	73.3
1.00 pm	72.8	73.2
2.00 pm	72.8	73.1
3.00 pm	73.2	73.2
4.00 pm	73.0	73.3

£ in New York

	December 20	Prev. close
£ Spot	$1.1665-1.1675	$1.1680-1.1690
1 month	0.10-0.07 pm	0.13-0.12pm
3 months	0.26-0.22 pm	0.39-0.36pm
12 months	.05 pm-.21 dis	0.30pm-0.25pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

[illegible]

DOLLAR SPOT—FORWARD AGAINST DOLLAR

[illegible]

OTHER CURRENCIES

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

[illegible]

FINANCIAL FUTURES

Gilts easier

It was a fairly quiet day on the London International Financial Futures Exchange, although traders suggested that volume was reasonably high for the time *of year.*

Sterling denominated interest rate contracts were very much at the mercy of the pound's movement on the foreign exchanges. March gilts opened weak at 106-20 following the fall of sterling to record lows overnight in New York and the Far East. The contract touched a low of 106-15, but recovered a little to close at 106-27, compared with 106-30 at the previous settlement. The obvious reluctance of the UK authorities to sanction a rise in interest rates left some dealers wondering whether this was a good buying opportunity for gilt futures, but at the moment there is considerable uncertainty in the market.

Three-month sterling deposits were influenced by the same *major factor*, opening weak at 89.90 for March delivery, and finishing at 89.88, against 89.97

March Eurodollars opened little changed at 90.56, reflecting disappointment at the result of the U.S. Treasury 2-year note auction. There was also some nervousness as the market continued to wait for a cut in the Federal Reserve's discount rate, while Federal funds were firmer at around 8½ per cent. A better than expected U.S. consumer price index in November helped the contract recover, however, and it finished firm at 90.64 compared with 90.55 previously.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.64	90.64	90.48	90.55
June	90.07	90.07	89.91	90.01
Sept	89.59	89.59	89.41	89.52
Dec	89.17	—	—	89.10
March	88.75	—	—	88.75

Est volume 3,791 (3,585)
Previous day's open int 9,042 (9,209)

[illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	—	—	—	73-09
March	72-17	72-20	72-02	72-05
June	71-26	—	—	71-16

Est volume 1,435 (2,021)
Previous day's open int 1,827 (1,961)

CHICAGO

[illegible]

MONEY MARKETS

London rates stable after firm start

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The Table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, December 19, 1984. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of December 19 at 11.00 a.m.
3 months: 8 1/16 6 months: 9 1/16

ECU=$US.721416 SDR1=$US.9885
Sibor as of December 19 at 11.00 a.m.
3 months: 8½ 6 months: 9 1/16

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	50.60
Albania	Lek	8.5412
Algeria	Dinar	5.096
Andorra	Fr. Franc	9.47
	Sp. Peseta	170.825
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	New Peso (o)	160.79
Australia	Dollar	1.1866
Austria	Schilling	21.6875
Azores	Port. Escudo	166.15
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is	Sp. Peseta	170.825
Bangladesh	Taka	25.97
Barbados	Dollar	2.0113
Belgium	Franc (C)	51.9925
	Franc (F)	62.275
Belize	Dollar	2.00
Benin	C.F.A. Franc	473.50
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	12.25
Bolivia	Peso (12)	8785.50
Botswana	Pula	1.5468
Brazil	Cruzeiro (o)	2962.50
Brunei	Dollar	2.1735
Bulgaria	Lev	1.032
Burkina Faso	C.F.A. Franc	473.50
Burma	Kyat	8.6075
Burundi	Franc	124.127
Cameroun Rp.	C.F.A. Franc	473.50
Canada	Dollar	1.3163
Canary Is	Sp. Peseta	170.825
Cape Verde Is	Escudo	89.2698
Cayman Is.	Dollar	0.835
Cen. Africa Rep	C.F.A. Franc	473.50
Chad	C.F.A. Franc	473.50
Chile	Peso (O) (5)	127.35
China	Renminbi Yuan	2.7901
Colombia	Peso (O)	112.98
Comoros	C.F.A. Franc	473.50
Congo Pple Rep.of	C.F.A. Franc	473.50
Costa Rica	Colon (4)	47.75
Cuba	Peso	0.8996
Cyprus	Pound*	1.5716
Czechoslovakia	Koruna (O)	6.86
Denmark	Krone	11.07
Djibouti Rp. of	Franc	183.172
Dominica	E. Caribbean $	2.70
Domin. Rep.	Peso	1.00
	Peso (d)	3.08
Ecuador	Sucre (o, c)	67.18
	Sucre (d)	119.25
	Sucre (f)	95.75
Egypt	Pound	0.8316
El Salvador	Colon	2.50
	Colon (d)	4.00
Eq'tl Guinea	Ekuele	341.65
Ethiopia	Birr (O)	2.0423
Faeroe Is'd	Dan. Krone	11.07
Falkland Is'd	Pound*	1.1825
Fiji	Dollar	1.1338
Finland	Markka	6.4415
France	Franc	9.47
Fr. C'ty in Af	C.F.A. Franc	473.50
Fr. Guiana	Franc	9.47
Fr. Pac. Is'd	C.F.P. Franc	172.162
Gabon	C.F.A. Franc	473.50
Gambia	Dalasi	4.2283
Germany (E)	Ostmark (O)	3.0887
Germany (W)	Mark	3.0887
Ghana	Cedi (14)	50.00
Gibraltar	Pound*	1.1825
Greece	Drachma	126.85
Greenland	Dan. Krone	11.07

COUNTRY	CURRENCY	VALUE OF DOLLAR
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	9.47
Guam	U.S. $	1.00
Guatemala	Quetzal (O) (13)	1.00
	Quetzal (h, l)	1.47
Guinea Bissau	Peso	85.0319
Guinea Rep.	Syli	24.9785
Guyana	Dollar (6)	4.12
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
	Lempira (d)	2.65
Hong Kong	Dollar	7.83
Hungary	Forint	50.8586
Iceland	Krona (10)	40.065
India	Rupee	12.25
Indonesia	Rupiah	1070.00
Iran	Rial (o)	93.5738
Iraq	Dinar	0.3109
Irish Rep	Punt*	1.0105
Israel	Shekel	607.80
Italy	Lira	1904.00
Ivory Coast	C.F.A. Franc	473.50
Jamaica	Dollar (o) (9)	4.58
Japan	Yen	247.325
Jordan	Dinar	0.3923
Kampuchea	Riel	n.a.
Kenya	Shilling	14.9588
Kiribati	Aust. Dollar	1.1966
Korea (Nth)	Won	0.94
Korea (Sth)	Won	822.90
Kuwait	Dinar	0.3054
Lao P'ple D. Rep.	Kip	35.00
Lebanon	Pound	8.705
Lesotho	Loti	1.9231
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenst'n.	Sw. Franc	2.5495
Luxembourg	Lux. Franc	61.9925
Macao	Pataca	8.1393
Madagascar D. R.	Franc	650.778
Madeira	Port. Escudo	166.15
Malawi	Kwacha	1.6338
Malaysia	Ringgit	2.4142
Maldive Is.	Rufiyaa (o)	3.95
	Rufiyaa (m)	7.05
Mali Rp	C.F.A. Franc	473.50
Malta	Lira*	2.0619
Martinique	Franc	9.47
Mauritania	Ouguiya	67.16
Mauritius	Rupee	15.39
Mexico	Peso (d)	207.75
	Peso (e)	190.35
Miquelon	Fr. Franc	9.47
Monaco	Fr. Franc	9.47
Mongolia	Tugrik (o)	3.3565
Montserrat	E. Caribbean $	2.70
Morocco	Dirham	9.16
Mozambique	Metica	43.772
Namibia	S. Rand	1.9231
Nauru Is.	Aust. Dollar	1.1966
Nepal	Rupee	16.729
Netherlands	Guilder	3.489
Neth Ant'les	Guilder	1.80
New Zealand	Dollar	2.07
Nicaragua	Cordoba	10.00
	Cordoba (d)	200.00
Niger Rp.	C.F.A. Franc	473.50
Nigeria	Naira	0.8049
Norway	Krone (7)	8.9685
Oman, Sultanate of	Rial	0.3456
Pakistan	Rupee	16.1578
Panama	Balboa	1.00
Papua N.G.	Kina	0.9359

COUNTRY	CURRENCY	VALUE OF DOLLAR
Paraguay	Guarani (o, c)	240.00
	Guarani (d)	581.00
Peru	Sol (o)	5264.90
Philippines	Peso	19.84
Pitcairn Is	N.Z. Dollar	2.07
Poland	Zloty (O) (3)	125.59
Portugal	Escudo	166.15
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
Reunion. Ile de la	Fr. Franc	9.47
Romania	Leu (O)	4.42
Rwanda	Franc	103.905
St. Christopher	E. Caribbean $	2.70
St. Helena	Pound*	1.1825
St. Lucia	E. Caribbean $	2.70
St. Pierre	Fr Franc	9.47
St. Vincent	E. Caribbean $	2.70
Samoa (Western)	Tala	2.1395
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1904.00
Sao Tome & Principe DR	Dobra	45.7764
Saudi Arabia	Riyal (2)	3.5595
Senegal	C.F.A. Franc	473.50
Seychelles	Rupee	7.3187
Sierra Leone	Leone	2.54
Singapore	Dollar	2.1735
Solomon Is.	Dollar	1.3286
Somali Rep.	Shilling (11)	26.00
South Africa	Rand	1.9231
Spain	Peseta	170.825
Span. Ports in N. Africa	Sp. Peseta	170.826
Sri Lanka	Rupee	26.175
Sudan Rep	Pound*	0.7692
Surinam	Guilder	1.785
Swaziland	Lilangeni	1.9231
Sweden	Krone	8.8475
Switzerland	Franc	2.5495
Syria	Pound (O)	3.925
Taiwan	Dollar (O)	39.48
Tanzania	Shilling	17.85
Thailand	Baht (8)	27.05
Togo Rep	C.F.A. Franc	473.50
Tonga Is	Pa'anga	1.1966
Trinidad & Tobago	Dollar	2.409
Tunisia	Dinar	0.8529
Turkey	Lira	433.025
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	1.1966
Uganda	Shilling	575.36
United Arab Emir.	Dirham	3.673
Utd. Kingdom	Pound Sterling*	1.1825
Uruguay	Peso (m)	73.38
USSR	Rouble	0.8535
Vanuatu	Vatu	101.77
Vatican	Lira	1904.00
Venezuela	Bolivar (g)	7.50
	Bolivar (g) (1)	4.30
	Bolivar (o)	12.55
	Bolivar (d)	12.60
Vietnam	Dong (o)	10.4996
Virgin Is. Brit	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	6.075
Yemen PDR.	Dinar	0.3425
Yugoslavia	Dinar	203.073
Zaire Rep.	Zaire	40.5567
Zambia	Kwacha	2.1097
Zimbabwe	Dollar	1.4652

n.a. Not available. (m) Market rate * U.S. dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Freemarket interbank. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non-essential imports. (i) Floating tourist rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Saudi Arabia: Sept 18, Riyal devalued to 3.56. (3) Poland: Zloty officially devalued Sept. 1. (4) Costa Rica: Official devaluation effective Sept 3. (5) Chile: Sept 18, Official devaluation of 19 per cent. (6) Guyana: Oct 7, Official devaluation of approx. 9 per cent. (7) Norway: Sept 23, Krone devalued by 2 per cent. (8) Thailand: Nov 5, Official devaluation of approx. 14.8 per cent. (9) Jamaica: Nov 8, Rate adjustment fixed by Central Bank by-weekly auction. (10) Iceland: Nov 19, Central Bank announced an average 12 per cent devaluation. (11) Somalia: 48 per cent devaluation effective Sept 15. (12) Bolivia: Unified exchange rate effective Nov 22. (13) Guatemala: Nov 23, Two-tier rate established. (14) Ghana: Dec 3 Cedi devalued from 38.5 to 50. For further information please contact your local branch of the Bank of America.

Commercial Property

Overseas Property

Company Notices

KOMMUNLANEINSTITUTET AKTIEBOLAG

[illegible]

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED
I.C.I.C.I.

[illegible]

THE ISRAEL ELECTRIC CORPORATION LIMITED

[illegible]

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 20.

Good reception for Irish Ecu 50m deal

BY MAGGIE URRY IN LONDON

THE ONLY issue to appear in the Eurobond market yesterday was for Ireland in the European currency unit sector. The Ecu 50m deal was well received, despite the pre-Christmas jollity in the market.

The issue has a 10-year life and pays a 10¼ per cent coupon. Banque Paribas set the issue price at par. Co-lead is Banque Bruxelles Lambert.

In the grey market the bonds were quoted around 99¾ – comfortably inside the 1¼ per cent selling concession.

The Eurodollar bond market was quiet yesterday. Hopes that a U.S. corporate borrower would come to the market before Christmas faded, but many houses are lining up deals for the new year.

With traders unwilling to upset their positions so close to the holiday, prices were little changed, adding perhaps ⅛ to ¼ point.

Austrian Kontrollbank announced a Yankee issue, with a five-year life and 11¼ per cent coupon. Lead underwriter is Dillon Read.

Bond markets were also quiet but in both West Germany and Switzerland prices were a touch better. In the Swiss franc foreign bond market the Avon issue started trading at 98¾, compared with its par issue price. The recent Gillette dual-currency issue has fallen to 95 from its par issue price.

BHF Bank bond average

Dec 20		Previous
102.934		102.882
High	1984	Low
103.042		98.058

WEEKLY U.S. BOND YIELDS (%)

	Dec 19	Dec 12	1984 High	1984 Low
Composite Corp. AA	12.02	12.07	14.28	12.07
Government:				
Long-term	11.25	11.46	13.69	11.25
Intermediate	11.30	11.52	13.79	11.30
Short-term	10.19	10.56	13.22	10.19
Municipal	n/a	10.98	11.14	9.48
Industrials AAA	11.53	11.54	13.66	11.63
Industrials AA	11.93	11.98	14.13	11.93
Utilities AA	12.11	12.17	14.45	12.17
Preferred Stocks	11.12	11.33	12.17	11.07

Source: Standard & Poor's

$50m for Portuguese group

BY MARGARET HUGHES IN LONDON

COMPANHIA Nacional de Petroquimica, the Portuguese state-owned petrochemicals company, is using a revolving underwriting facility (RUF) for the first time to raise a maximum of $50m. The mandate was awarded yesterday to Dean Witter Capital Markets International and S. G. Warburg.

It will be a dual currency facility split between European currency units (Ecu) and U.S. dollars – the split will be determined at the signing. The RUF will have five-year maturity with an option for underwriters to extend after two years for a further two up to a maximum of seven years.

Placing will be through a continuous tender panel and participating banks will receive an annual underwriting fee of 27½ basis points. The interest rate on the notes will be at London interbank bid rate (Libid).

Indices

NEW YORK–DOW JONES

	Dec 20	Dec 19	Dec 18	Dec 17	Dec 14	Dec 13	1984 High	1984 Low	Since Compilation High	Since Compilation Low
Industrials	1,203.29	1,208.04	1,211.57	1,178.79	1,175.61	1,168.84	1286.64 (6/1)	1086.57 (24/7)	1287.78 (16/11/83)	41.22 (2/7/32)
Transport	551.71	556.13	554.25	538.86	534.90	528.01	612.63 (9/1)	444.83 (25/7)	612.83 (9/1/84)	12.32 (8/7/32)

OVER-THE-COUNTER

Continued from Page 28

NOTICE OF PREPAYMENT

THE MITSUBISHI BANK LIMITED

(Incorporated in Japan)

US$30,000,000

Callable Negotiable Floating Rate Dollar Certificates of Deposit

No. FRSM3 00001 to FRSM3 00060
Issued on 28th January, 1983
Maturity Date 30th January, 1986
Optionally Callable in January, 1985

Notice is hereby given that in accordance with the Clause of the Certificates of Deposit (the "Certificates") The Mitsubishi Bank, Limited (the "Bank") will prepay all outstanding Certificates on 30th January, 1985 (the "Prepayment Date"), *at their principal amount.*

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of the Bank.

Interest will cease to accrue on the Certificates on the Prepayment Date.

The Mitsubishi Bank, Limited
London Branch
1, King Street, London EC3V 8LQ

21st December, 1984